CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1290

ANNUAL REPORT 2021

WE ARE COMMITTED TO BEING A LEADING COMPREHENSIVE FINANCING SERVICE PROVIDER IN CHINA.

We are dedicated to providing diversified financial services such as pawnshop, micro-finance, commercial factoring, art investment, turnover loan fund, equity investment and special asset investment to our customers.

Our business currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Hong Kong and Changsha, and is striving to become a leading service provider of inclusive finance and ecology finance in the PRC.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Min *(Chairman)*
Mr. Zhang Changsong *(Chief Financial Officer)*

Non-executive Directors

Mr. Zhuo You
Mr. Zhang Cheng
Ms. Zhang Shu
Mr. Ling Xiaoming

Independent Non-executive Directors

Mr. Liang Jianhong[1]
Mr. Feng Ke
Mr. Tse Yat Hong

COMMITTEE COMPOSITION

Audit Committee

Mr. Tse Yat Hong *(Chairman)*
Mr. Feng Ke
Ms. Zhang Shu

Remuneration Committee

Mr. Liang Jianhong *(Chairman)*[2]
Mr. Tse Yat Hong
Mr. Wu Min

Nomination Committee

Mr. Wu Min *(Chairman)*
Mr. Feng Ke
Mr. Liang Jianhong[3]

JOINT COMPANY SECRETARIES

Mr. Chai Kun
Miss Leung Ching Ching

AUTHORISED REPRESENTATIVES

Mr. Wu Min
Miss Leung Ching Ching

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23/F, No. 238
Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

9th Floor, Building A, No. 288 Yingchun Road,
Wuzhong District, Suzhou
Jiangsu Province, the PRC

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch
Suzhou Bank, Suzhou Branch

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Mayer Brown
Haiwen & Partners

COMPANY'S WEBSITE

www.cnhuirong.com

STOCK CODE

The shares of the Company are listed on the main board of the Stock Exchange

01290

1. Mr. Zhang Huaqiao has retired as an independent non-executive Director with effect from 28 May 2021. Mr. Liang Jianhong has been appointed as an independent non-executive Director with effect from 28 May 2021.

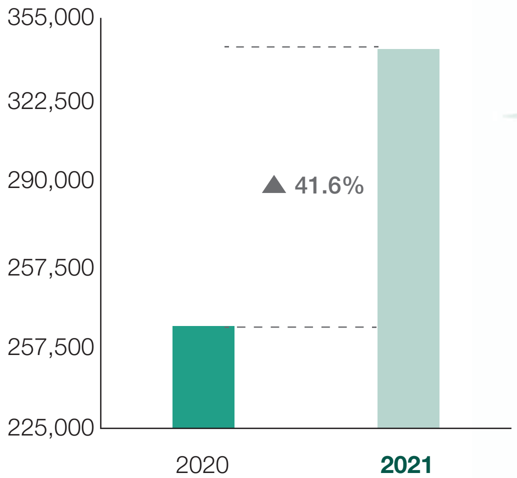
2. Mr. Zhang Huaqiao has ceased to act as the chairman of the Remuneration Committee with effect from 28 May 2021. Mr. Liang Jianhong has been appointed as the chairman of the Remuneration Committee with effect from 28 May 2021.

3. Mr. Zhang Huaqiao has ceased to act as a member of the Nomination Committee with effect from 28 May 2021. Mr. Liang Jianhong has been appointed as a member of the Nomination Committee with effect from 28 May 2021.

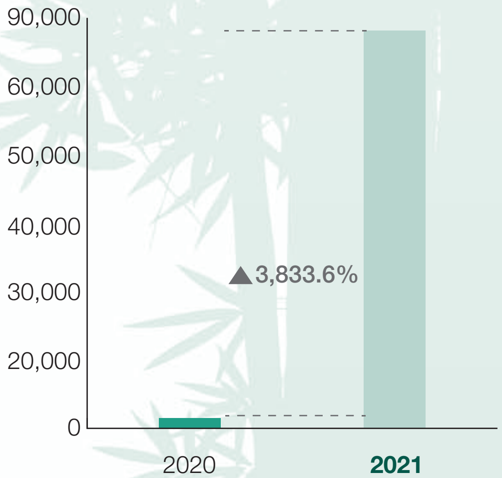
	For the year ended or as at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Operating Results					
Operation income*	**367,825**	259,806	344,134	330,229	272,353
Profit attributable to equity holders	**87,169**	2,216	50,429	60,996	50,904
Financial Position					
Total assets	**2,836,195**	2,532,555	3,001,631	2,800,226	3,034,269
Cash at bank and on hand	**483,347**	434,080	1,047,858	810,138	941,645
Loans to customers	**1,815,077**	1,814,211	1,703,704	1,738,283	1,945,652
Total liabilities	**742,461**	590,657	1,053,187	903,198	1,180,304
Net assets	**2,093,734**	1,941,898	1,948,444	1,897,028	1,853,965

* Following a change in the nature of the Group's operations, operating income for the year ended 31 December 2021 includes interest income, revenue from commodities trading, consultancy fee income, and commission fee income. Operating income for the years ended 31 December 2018, 2019 and 2020 include interest income, consultancy fee income, and commission fee income. Operating income for the year ended 31 December 2017 is interest income.

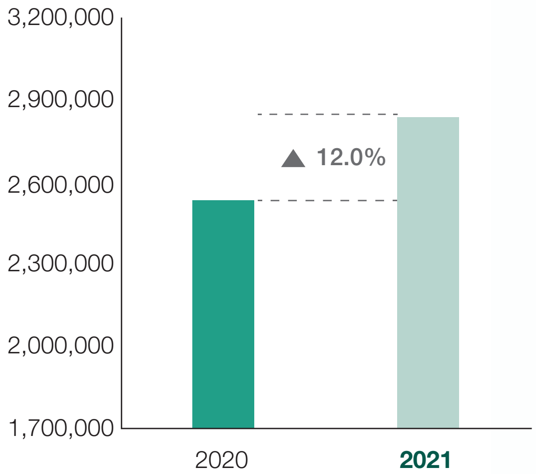
Operating income (RMB'000)



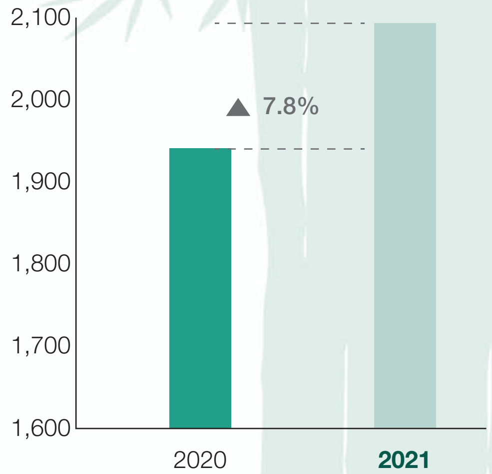
Profit attributable to equity holders (RMB'000)



Total assets (RMB'000)



Net assets (RMB'000)



CHAIRMAN'S STATEMENT

We have positioned ourselves as a financial service provider which offers diversified products to SMEs and individuals. By insisting on the dual strategy of "inclusive finance and ecology finance", we strive to become a comprehensive financial service group integrating pawnshop, micro-finance, commercial factoring, art investment, turnover loan fund, equity investment, special asset investment, etc.

On behalf of the board of directors of China Huirong Financial Holdings Limited, I am pleased to present the annual report for the year ended 31 December 2021.

In 2021, the Company insisted on its business strategy of "intensified marketing, improving risk control, seizure of development opportunities, and building high-level talent team", and showed a good upward trend of the business operations. In order to improve the management efficiency, the Company has adjusted the structure and functions of the business divisions. The original three business divisions, namely the Inclusive Finance Business Division, the Technology Finance Business Division, and the Insurance Brokerage Business Division, were merged or reorganized into two business divisions, the Inclusive Finance Business Division and the Ecology Finance Business Division. On the inclusive finance business side, we actively promoted the reform of the business of personal property backed pawn loans and continued to implement the national expansion strategy. Changsha Pawnshop, which was established in 2021, became the only pawnshop approved for establishment in Hunan Province in the past year. Efforts were intensified to incubate innovative businesses, and breakthroughs were made in our art investment and luxury sales businesses. On the ecology finance business side, commercial factoring further introduced strategic investment of state-owned capital, with registered capital having increased to RMB170 million. Huifang Supply Chain further increased its registered capital to RMB400 million. New businesses such as special assets investment and equity investment are developing steadily with a promising future. On the headquarters management side, the investment property Zhonghui Financial Building was officially completed and the real estate certificate was obtained, greatly improving the working environment of the enterprise and promoting the industrial ecosystem.

Hereby I would like to express my sincere gratitude on behalf of the Board to all of our staff for their diligent contribution and to all shareholders for their full support.

In 2022, we summarized our business strategy as "keeping in mind one center, advancing with two wheels, exploring three fields, focusing on four requirements and enhancing five capabilities". The Company will create value as the center, comprehensively improve the level of fine management. We will insist on the dual strategy of "inclusive finance plus ecology finance", and ensure that traditional and innovative businesses go hand in hand to lay a solid foundation for development and stimulate innovation. We will also explore different business models such as financial leasing, financial consulting and wealth management by forming the suitable teams and acquiring the relevant business qualification. In order to fulfill the requirements of the Board of Directors, "manage the surplus in hand, provide a platform for a convenient life, solve temporary problems, and cheer up SMEs", we will deploy specific implementation measures. We will also encourage all management and employees to enhance learning ability, professional ability, coordination ability, executive ability and ability to work under pressure.

In 2022, we will gather our strengths and make further achievements to welcome a harvest year of Tiger.

China Huirong Financial Holdings Limited
WU Min
Chairman of the Board of Directors

25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

With the goal of achieving nationwide business coverage, the Company has fully leveraged its status as a listed company in Hong Kong and its access to the international capital markets and implemented the dual strategy of "inclusive finance plus ecology finance", striving to offer comprehensive financial services to small and medium enterprises ("SMEs") and individual clients alike as well as offer quality and safe financial assets to investors and financial institutions. As our brand has been well recognized by the public with our stable asset quality and our continuously improved profitability, we have gradually developed into a company that offers comprehensive finance services.

In 2021, the Company insisted on its business strategy of "intensified marketing, improving risk control, seizure of development opportunities, and building high-level talent team". Driven by external objective factors such as the overall controllable pandemic situation in Mainland China and the steady improvement of the macroeconomic situation, the Company's marketing efforts have shown effective results, the risk control strategy has been strictly implemented, and the level of refined management has been significantly improved, showing a trend of good recovery in business operations. In order to improve the management efficiency, the Company has adjusted the structure and functions of the business divisions. The original three business divisions, namely the Inclusive Finance Business Division, the Technology Finance Business Division, and the Insurance Brokerage Business Division, were merged or reorganized into two business divisions, the Inclusive Finance Business Division and the Ecology Finance Business Division. The Inclusive Finance Business Division covers five business units, including pawnshop, micro-finance, turnover loan fund, art investment and luxury sales. The Ecology Finance Business Division covers five business units, including commercial factoring, supply chain management, equity investment, special asset investment, and insurance brokerage.

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

The Inclusive Finance Business Division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd.* (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop"), Changsha Furong District Huifang Pawnshop Co., Ltd.* (長沙市芙蓉區匯方典當有限責任公司) ("Changsha Pawnshop"), Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司) ("Dongshan Micro-finance"), Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)) ("Huifang Rongtong"), Nanjing Yiling Culture and Art Co., Ltd.* (南京藝瓴文化藝術有限公司) ("Nanjing Yiling"). The division conducts pawnshop business, micro-finance business, turnover loan fund business, art investment business, luxury sales business and overseas finance business by adhering to the concept of small-sums and dispersed inclusive finance. Major products under this division include secured loans (including real estate backed loans and personal property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving short-term liquidity needs of SMEs and individuals. The business of Inclusive Finance Business Division currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Hong Kong and Changsha, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) Pawnshop Business

The following table sets out the details of total transaction amount, number and income of loans granted as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	**782**	527
Total transaction number of new personal property backed loans	**693**	856
Total transaction amount of new secured loans (RMB million)		
Total transaction amount of new real estate backed loans	**619**	405
Total transaction amount of new personal property backed loans	**36**	26
Balance of secured loans at the end of the Reporting Year (principal) (RMB million)		
Balance of real estate backed loans at the end of the Reporting Year (principal)	**744**	744
Balance of personal property backed loans at the end of the Reporting Year (principal)	**39**	47
Interest income of secured loans (RMB thousand)		
Interest income of real estate backed loans	**65,035**	60,393
Interest income of personal property backed loans	**4,384**	12,014
Total transaction number of new unsecured loans	**53**	65
Total transaction amount of new unsecured loans (RMB million)	**931**	784
Balance of unsecured loans at the end of the Reporting Year (principal) (RMB million)	**386**	445
Interest income of unsecured loans (RMB thousand)	**37,335**	38,865

The pawnshop business mainly relies on Wuzhong Pawnshop and Changsha Pawnshop as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is a wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company.

Wuzhong Pawnshop primarily engages in secured loan and unsecured loan businesses. Secured loans business mainly includes real estate backed loans and personal property backed loans.

① Real Estate Backed Loans

Real Estate Backed Loans primarily provide personal or corporate financing services to customers who have obtained real estate certificates and are characterized by low risks and low turnover rates. Business risks are comprehensively assessed based on customer credit status, real estate value, customer industry analysis and solvency, etc. The loan amount does not exceed 80% of the total evaluation price. The interest rates range from 6%–25% per annum and the loan term is no longer than 1 year. The operation area is mainly in core urban areas of Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha and other cities. The target customers are mainly distributed in beverage, retail, trade and other industries. As one of the core products of the Inclusive Finance Business Division, secured loans have high-quality customer resources and have maintained a sound and steady trend of development.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of real estate backed loans granted by the Company were RMB744 million and RMB65,035 thousand respectively, representing a basic flat in balance and an increase in interest income as compared with 2020. The main reason is that with the significant improvement of the pandemic situation and the implementation of the Chinese government's prudent monetary policy, the Company showed a steady improvement in business development.

The main risks and uncertainties faced by the real estate backed loans include real estate valuation risk, real estate value fluctuation risk, regulatory policy change risk, credit policy change risk, liquidity risk, credit risk, etc.

In 2021, in order to strengthen its dominant position in the pawnshop industry in the PRC, the Company established Changsha Pawnshop on 9 December 2021, with a registered capital of RMB50 million. Changsha Pawnshop was the only pawnshop approved for establishment in Hunan Province in the past year. The development direction of the real estate

backed loans in the future is to continue to implement its national expansion strategy by establishing one or two pawnshops in provincial capital cities per year and expanding its business to 10–12 cities by 2025.

② Personal Property Backed Loans

The personal property backed loans mainly provide fast personal property backed financing services for individuals, and the product categories cover gold, jewelry, works of art, diamonds, watches, luxury goods, etc. The loan amount does not exceed 95% of the total evaluation price. The interest rates and comprehensive rates range from 7.25% to 54% per annum and the loan term within 1 year. The operation area is mainly in core urban areas of Suzhou. The business in Chengdu, Wuhan, Hefei, Wuxi, Changsha and other cities is gradually expanding. The target customers are mainly distributed in manufacturing, agriculture, retail and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of personal property backed loans granted by the Company were RMB39 million and RMB4,384 thousand respectively, representing a decrease as compared with 2020. The main reason is that in order to reduce the risk of business concentration, the Company focused on the development of small-sums and dispersed businesses and liquidated some large-amount business.

The main risks and uncertainties faced by the personal property backed loans include collateral appraisal risk, collateral valuation risk, regulatory policy change risk, credit risk, etc.

In 2021, the Company continued to promote the reform of the business of personal property backed pawn loans, which included the comprehensive promotion of store decoration and upgrading, the unification of store image, the expansion of product types, precision marketing and other fields. The development direction of the personal property backed loans in the future is to adhere to a high-quality and sustainable business strategy, strengthen the level of digitization of stores, and improve customer satisfaction.

③ Unsecured loans

The unsecured loans mainly provide equity financing services for SMEs. Business risks are comprehensively assessed based on the company's operating conditions, financial analysis, industry development and debt repayment ability, etc. The loan amount does not exceed 50% of the total equity evaluation price. The interest rates range from 8% to 24% per annum and the loan term is 6 months. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, real estate, investment and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of unsecured loans granted by the Company were RMB386 million and RMB37,335 thousand respectively, representing a decrease as compared with 2020. The main reason is to reduce the balance of unsecured loans, the Company focused on the development of small-sums and dispersed businesses, which led to the decline in interest income.

The main risks and uncertainties faced by the unsecured loans include regulatory policy change risk, credit policy change risk, credit risk, etc.

In 2021, the Company paid attention to the actual business situation of the customers granted unsecured loans and supported customers to resume operation and production in the post-pandemic era. The development direction of the unsecured loans in the future is to form new strategic partnerships, prudently control the existing business balance, and seek a small-sums and dispersed transformation direction.

For the pawnshop business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) Micro-finance business

The following table sets out the details of total new loans secured by real estate, guaranteed loans and credit loans as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total number of new loans granted	**158**	159
Total amount of new loan granted (RMB million)	**333**	341
Balance at the end of the Reporting Year (principal) (RMB million)	**339**	376
Interest income (RMB thousand)	**36,962**	36,929

The micro-finance business mainly relies on Dongshan Micro-finance as the entity to carry out its business. Dongshan Micro-finance, established in 2012 with a registered capital of RMB300 million, is an indirect holding subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong District Dongshan Town Collective Assets Management Co., Ltd.* (蘇州市吳中區東山鎮集體資產經營公司) and other entities. The Company holds 70% of the equity interests of Dongshan Micro-finance. Dongshan Micro-finance is also one of the few micro-finance companies rated "AAA" in Jiangsu Province.

Dongshan Micro-finance primarily engages in providing small loans for "agriculture, rural areas and rural people" ("三農") purposes and financial services such as finance guarantee. Loans mainly include secured loans, guaranteed loans and credit loans.

Business risks of secured loans are comprehensively assessed based on customer credit status, collateral value, industry analysis and cash flow, etc. The loan amount does not exceed 75% of the total evaluation price. The interest rates range from 9%–18% per annum and the loan term ranges from 1 year to 3 years. As of 31 December 2021, the balance at the end of the Reporting Year (principal) of the secured loans is RMB116 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in agriculture, beverage, service and other industries.

Business risks of guaranteed loans are comprehensively assessed based on the company's operating conditions, financial analysis, industry development, etc. The interest rates range from 10% to 18% per annum and the loan terms range from 6 months to 12 months. As of 31 December 2021, the balance at the end of the Reporting Year (principal) of the guaranteed loans is RMB98 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, trade, investment and other industries.

Business risks of credit loans are comprehensively assessed based on the individual's or company's credit status, operating conditions, asset conditions and solvency, etc. The interest rates range from 3.8%–17% per annum and the loan term is 12 months. As of 31 December 2021, the balance at the end of the Reporting Year (principal) of the credit loans is RMB127 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in trade, gardening, investment and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of micro-finance business were RMB339 million and RMB36,962 thousand respectively, representing a decrease in ending balance and an increase in interest income as compared with 2020. The main reason is that the Company optimized and adjusted the business structure which steadily improved interest income.

The main risks and uncertainties faced by the micro-finance business include real estate valuation risk, credit risk, regulatory policy change risk, credit policy change risk, etc.

In 2021, the digitization of the micro-finance business was strengthened, and the brand awareness and influence were actively enhanced. The development direction of micro-finance business in the future is to intensify the service to technology-based and low-carbon SMEs and fulfill the social responsibility of inclusive finance to promote regional economic development on the basis of bringing stable dividends to shareholders.

For the micro-finance business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non- performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(c) Turnover Loan Fund Business

The following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan fund business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total number of new loans granted	**388**	370
Total new loan amount granted (RMB million)	**2,252**	2,328
Balance at the end of the Reporting Year (principal) (RMB million)	**67**	64.2
Interest income (RMB thousand)	**5,137**	9,004

The turnover loan fund business mainly relies on Huifang Rongtong as the entity to carry out its business. Huifang Rongtong, established in 2017 with a registered capital of RMB75 million, is an indirect holding subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong Financial Holdings Group Limited* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province. The Company holds 80% of the equity interests of Huifang Rongtong. Such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province.

The turnover loan fund business serves as a bridge between banking institutions and SMEs. It focuses on serving SMEs and local government platforms with the needs of turnover loans. Business risks are comprehensively assessed based on the company's credit status, operating conditions, financial status and bank credit conditions, etc. The interest rates range from 15.2% to 18% per annum and the loan terms range from 3 days to 30 days. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, trade and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of turnover loan fund business were RMB67 million and RMB5,137 thousand respectively, representing a basic flat in balance and a decrease in interest income as compared with 2020. The main reason is that the operating scale of the turnover loan fund is reduced, and the development of small-sums and dispersed business reduces the efficiency of fund use.

The main risks and uncertainties faced by the turnover loan fund business include regulatory policy change risk, credit risk, etc.

In 2021, the turnover loan fund business took advantage of the opportunity of joining the Suzhou municipal-level turnover loan service platform to expand its brand influence and expand its market share. The development direction of turnover loan fund business in the future is to act as a bridge between banks and SMEs, actively mobilize resources from all parties and achieve full coverage of qualified SMEs with turnover loan needs in Suzhou Wuzhong District and even Suzhou under the guidance of the municipal-level turnover loan service platform.

For the turnover loan fund business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(d) Art Investment Business

The following table sets out the operating information of the art investment business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number of new artworks	**8**	—
Total transaction amount of new artworks (RMB million)	**134**	—
Total amount of artworks in stock at the end of the Reporting Year (RMB million)	**101**	—
Service fee income (RMB thousand)	**5,294**	—

The art investment business mainly relies on Nanjing Yiling as the entity to carry out its business. Nanjing Yiling, established in 2021 with a registered capital of RMB55 million, is an indirect holding subsidiary of the Company and is jointly established by the Company and Nanjing Yili Culture Development Co., Ltd.* (南京藝力文化發展有限公司). The Company holds 55% of the equity interests of Nanjing Yiling. Nanjing Yiling conducts artwork investment, artwork custody, artwork disposal and other businesses.

The art investment business covers all categories of artworks, including Chinese modern painting and calligraphy, international contemporary painting and calligraphy, ancient antiques and sculptures. Its business covers the whole country. The target customers are mainly major auction companies and well-known domestic collectors.

As of 31 December 2021, the total amount of artworks in stock at the end of the Reporting Year and the service fee income of art investment business were RMB101 million and RMB5,294 thousand respectively.

The main risks and uncertainties faced by art investment business include regulatory policy change risk, artworks valuation risk, artworks transportation and storage risk, liquidity risk, art market systemic risk, etc.

In 2021, the Company entered the art investment industry and became one of the few comprehensive art service platforms in Jiangsu Province with increasing brand influence. The development direction of art investment business in the future is to continue to strive to build a comprehensive system that serves the entire art industry, and develop Nanjing Yiling into a comprehensive financial service platform covering all categories and all fields of art, quasi-arts, and quasi-collectibles.

(e) Luxury Sales Business

The following table sets out the operating information of the luxury sales business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number		
Total transaction number from Wuzhong Pawnshop	**943**	—
Total transaction number from Huifang Supply Chain	**—**	—
Sales income (RMB thousand)		
Sales income from Wuzhong Pawnshop	**10,445**	—
Sales income from Huifang Supply Chain	**—**	—

The luxury sales business mainly relies on Wuzhong Pawnshop and Huifang Supply Chain as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is a wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China and the main sales platform of luxury sales business for enterprises. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company and the main sales platform of luxury sales business for customers.

In 2021, with the help of the Company's popularity and business experience in the pawnshop industry and on the basis of the original sales of pawn products, the Company built some pawnshops into influential comprehensive luxury service platforms offering luxury pawn, maintenance, recycling and consignment services, integrating financial services and retail. The operation area is mainly in Suzhou. The target customers are mainly luxury retailers and individual consumers.

As of 31 December 2021, the total transaction number of luxury goods at the end of the Reporting Year and the sales income were 943 and RMB10,445 thousand respectively.

The main risks and uncertainties faced by luxury sales business include regulatory policy change risk, luxury goods appraisal risk, liquidity risk, luxury market systemic risk, etc.

In 2021, the luxury goods sales business completed the team formation, business model determination, renovation of the business premises and trial operation. The development direction of luxury sales business in the future is to conduct multi-dimensional integration of luxury goods and pawnshops and cooperate with foreign well-known vintage brands to create a luxury goods online-to-offline sales platform with the construction of regional live broadcast platform and online shopping mall platform.

1.2 Ecology Finance Business Division

The Ecology Finance Business Division conducts its business through platforms such as Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司) ("Huida Factoring"), Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司) ("Huifang Supply Chain"), Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司) ("Huifang Rongcui"), Qingdao Wanchen Buliang Property Company Limited* (青島萬宸不良資產處置有限公司) ("Qingdao Wanchen"), Suzhou Cibei Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)) ("Suzhou Cibei"), Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司) ("Huifang Anda", formerly named as Nanjing Shun'an Insurance Agency Company Limited* (南京舜安保險代理有限公司)) and Sichuan Aomeishu Technology Co., Ltd* (四川奧美殊科技有限公司) ("Aomeishu"), adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

(a) Commercial Factoring Business

The following table sets out the operating information of the commercial factoring business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total number of new transaction relating to accounts receivable assignment	**21**	19
Total number of new transaction relating to accounts receivable assignment (RMB million)	**156**	160
Balance at the end of the Reporting Year (principal) (RMB million)	**243**	128
Interest income (RMB thousand)	**15,752**	10,030

The commercial factoring business mainly relies on Huida Factoring as the entity to carry out its business. Huida Factoring, established in 2016 with a registered capital of RMB170 million, is an indirect holding subsidiary of the Company and is jointly established by the Company and other three state-owned or collective capital companies: Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高新創業服務有限公司) ("Wuzhong Gaoxin"), Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司) ("Dongfang Investment") and Suzhou Wuzhong City Construction Investment Development Co.,Ltd.* (蘇州市吳中城市建設投資發展有限公司) ("Wuzhong Investment"). The Company holds 52.94% of the equity interests in Huida Factoring.

Huida Factoring is principally engaged in accepting assignment of account receivable from SMEs and installment of accounts receivable. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial situation, receivables and industry development factors based on customers' credit status. The loan amount does not exceed 80% of the total amount of receivables. The interest rates range from 6.5% to 13% per annum and the loan term is within 5 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in construction, manufacturing and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of Huida Factoring were RMB243 million and RMB15,752 thousand respectively, representing a significant increase as compared with 2020. The main reason is the future expansion of the business scale after the increase of registered capital and bank financing.

The main risks and uncertainties faced by commercial factoring business include credit risk, receivables, regulatory policy change risk, etc.

In 2021, state-owned and collective capital was introduced into commercial factoring business, and the registered capital of Huida Factoring was increased from RMB100 million to RMB170 million. Moreover, the company joined Jiangsu Factoring Industry Association successfully, which will help the company obtain more bank financing and serve more SMEs. The development direction of commercial factoring business in the future is to attach importance to promoting financing in more dimensions, continue to expand the business scale, strengthen digital construction and build a rich and diversified product system.

For the commercial factoring business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post- loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) Supply Chain Management Business

The following table sets out the operating information of the supply chain management business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number	**660**	67
Sales income (RMB thousand)	**93,108**	28,714

The supply chain management business mainly relies on Huifang Supply Chain as the entity to carry out its business. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company. It was committed to the development of supply chain agency procurement and agency sales business mainly for grain and oil, mobile terminal, liquor and other consumer goods fields, and always focused on new supply chain scenarios. Currently, Huifang Supply Chain has cooperated with ZTE CORPORATION* (中興通訊股份有限公司), Yihai Kerry Arawana Holdings Co., Ltd* (益海嘉里金龍魚糧油食品股份有限公司), Luzhou Lao Jiao Co., Ltd* (瀘州老窖股份有限公司), New Hope Group Co., Ltd* (新希望集團有限公司) and many other excellent enterprises.

As of 31 December 2021, the total transaction number of supply chain management business at the end of the Reporting Year and the sales income were 660 and RMB93,108 thousand respectively, representing a significant increase as compared with 2020. The main reason is that the new business model has been recognized by customers and the scale of cooperation has been further expanded.

The main risks and uncertainties faced by supply chain management business include cargo transportation risk, cargo custody risk, customer default risk, etc.

In 2021, Huifang Supply Chain further increased its registered capital from RMB50 million to RMB400 million, which will help the company expand its business scale and serve more customers. The development direction of supply chain management business in the future is to deeply cultivate the field of essential consumer goods, build own supply chain Software as a Service ("SaaS") platform, and expand more product categories.

(c) Equity Investment Business

The following table sets out the operating information of the equity investment business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number of new investment	**2**	—
Total transaction amount of new investment (RMB million)	**15**	—
Balance of investment at the end of the Reporting Year (RMB million)	**15**	—

The equity investment business mainly relies on Huifang Rongcui as the entity to carry out its business. Huifang Rongcui, established in 2021 with a registered capital of RMB100 million, is an indirect holding subsidiary of the Company. Aiming at creating a business pattern of coordinated development of creditor's rights and equity, Huifang Rongcui cooperates with senior equity investment institutions based on national policy guidance. Investment areas mainly cover advanced manufacturing, biomedicine, new energy, semiconductor and other strategic emerging industries.

The main risks and uncertainties faced by equity investment business include the risk of business deterioration of the invested enterprise, the risk of regulatory policy changes, the system risk of financial market, contract risk, etc.

In 2021, equity investment business cooperated with two senior equity investment institutions, intended investment being RMB20 million, with actual investment of RMB15 million. These include RMB10 million of planned investment in Suzhou Qianhui Xinli Venture Investment Partnership (LP)* (蘇州乾匯信立創業投資合夥企業(有限合夥)) ("Qianhui Xinli") (fund management being Suzhou Qianhui Zhitou Investment Management Co., Ltd* (蘇州乾匯智投資本管理有限公司) ("Qianhui Investment")), with actual investment of RMB10 million; RMB10 million of planned investment in Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP)* (蘇州中鑫恆遠創業投資合夥企業(有限合夥)) ("Zhongxin Hengyuan") (fund management being Suzhou Zhongxin Innovation Investment Management Co., Ltd* (蘇州中鑫創新投資管理有限公司) ("Zhongxin Investment")), with actual investment of RMB5 million. The development direction of equity investment business in the future is to further strengthen the cooperation with senior equity investment institutions, expand the scope of equity investment, explore the double GP cooperation mode, participate in equity investment projects, and build an equity investment platform with good development prospects and high investment return.

(d) Special Asset Investment Business

The following table sets out the operating information of the special asset investment business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number of new investment	**9**	—
Total transaction number of new investment (RMB million)	**16**	—
Balance of investment at the end of the Reporting Year (RMB million)	**16**	—

The special asset investment business mainly relies on Qingdao Wanchen and Suzhou Cibei as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect holding subsidiary of the Company. Suzhou Cibei, established in 2021 with a registered capital of RMB50 million, is a special asset investment fund established by the Company in cooperation with external asset management institutions. The Company holds 90% of the equity interests as a limit partner.

Special asset investment business makes full use of the Company's industrial layout, team basis and institutional resources to carry out special investment, disposal and operation. Special asset investment business mainly targets potential special assets such as residential real estate, commercial real estate, industrial real estate and pension real estate.

The main risks and uncertainties faced by special asset investment business include asset valuation risk, liquidity risk, real estate value fluctuation risk, credit risk, etc.

In 2021, the team of special asset investment was established, and cooperated with Jiangsu Asset Management Co., Ltd and other state-owned asset management companies, effectively completed the cooperation with several intermediary agencies and law firms. The development direction of special asset investment business in the future is to actively participate in the Suzhou special asset transfer market, and build a deep cooperation network between the upstream asset, the middle capital and the downstream disposal.

(e) Insurance Brokerage Business

The following table sets out the operating information of the insurance brokerage business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total transaction number	**684**	393
Sales income (RMB thousand)	**1,973**	6,992

The insurance brokerage business mainly relies on Huifang Anda as the entity to carry out its business. Huifang Anda, established in 2004 with a registered capital of RMB2.4 million, is an indirect holding subsidiary of the company and is jointly established by the Company and state-owned capital Suzhou Wuzhong Financial Investment Service Co., Ltd* (蘇州市吳中金融招商服務有限公司) and other institutions. The Company holds 65% of the equity interests of Huifang Anda.

The insurance brokerage business actively integrates the resources of the government and insurance companies, with the purpose of credit, responsibility, professionalism and compliance with regulations, and with the business development direction of coinsurance, governments, state-funded platforms and foreign-funded enterprises. The scope of insurance agency covers property insurance, credit guarantee insurance, liability insurance, life insurance, etc.

As of 31 December 2021, the total transaction number and sales income of insurance brokerage business transactions were 684 and RMB1,973 thousand respectively, representing a decrease as compared with 2020. The main reason is the substantial increase in the number of market agent business and the decline in the policy of the Construction Workers' Accident Insurance Coinsurance, which is the traditional main product.

The main risks and uncertainties faced by insurance brokerage business include the risk of government policy changes, contract risks, etc.

In 2021, the insurance brokerage business actively expanded the market agent business and achieved business cooperation with several foreign-funded enterprises and large enterprises in the face of the decline in the traditional main products, the Construction Workers' Accident Insurance Coinsurance. The development direction of insurance brokerage business in the future is to focus on property insurance, implement more coinsurance cooperation, introduce more agent teams, and strive to become a leading insurance agency in Suzhou and a well-known insurance agency in the province.

1.3 Headquarters and Others

As the incubator of the Company's innovative business, the headquarters has the function of cultivating innovative business of the Company through different stages. The overseas finance business is an attempt of the Company's global development and currently under the direct management of the headquarters. The following table sets out the operating information of the overseas finance business as of 31 December 2021:

	For the year ended 31 December	
	2021	2020
Total number of new loans granted	**2**	2
Total new loan amount granted (HK$' million)	**26**	26
Balance at the end of the Reporting Year (principal) (HK$' million)	**26**	26
Interest income (HK$' thousand)	**1,640**	1,570

The overseas finance business mainly relies on Huifang Investment as the entity to carry out its business. Huifang Investment, established in 2011, is a wholly-owned subsidiary of the Company and obtained a money lender's license in Hong Kong in January 2019 to develop diversified financial services. The operation area is mainly in Hong Kong. The target customers are mainly local companies in Hong Kong. It mainly conducts business in cooperation with local licensed money lenders at present.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of overseas finance business were HK$26 million and HK$1,640 thousand respectively, representing an increase as compared with 2020.

The main risks and uncertainties faced by overseas finance business include the risk of changes in the international political and economic situation and the risk of exchange rate fluctuations, etc.

In 2021, in view of the fact that the pandemic situation in Hong Kong and other overseas regions has not been effectively alleviated, and entry and exit have been greatly restricted, the expansion of overseas finance business was affected, resulting in no significant change in business performance during the Reporting Year. The development direction of overseas finance business in the future is to seek development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Macao and Singapore after the entry and exit policies are relaxed.

2. FINANCIAL REVIEW

2.1 Overall Financial Data

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Operating Results		
Operating income	**367,825**	259,806
Net operating income	**212,211**	92,111
Net assets	**2,093,734**	1,941,898
General and administrative expenses	**62,906**	52,649
Income tax expenses	**45,799**	12,038
Profit attributable to equity holders	**87,169**	2,216
Basic earnings per share (RMB Yuan)	**0.080**	0.002

As of 31 December 2021, the operating income amounted to RMB367,825 thousand, representing an increase as compared with 2020. The main reason is the significant increase in revenue generated from the supply chain management business and the moderate increase in revenue generated from the pawnshop business, the commercial factoring business and the art investment business, respectively. As of 31 December 2021, the profit attributable to equity holders amounted to RMB87,169 thousand, representing an increase as compared with 2020. The main reason is the fair value change on the Zhonghui Financial Building, which was an investment property and was completed in December 2021, and the increase in revenue attributable to the factors set out above.

2.2 Financial Analysis on two Principal Business Divisions

2.2.1 Inclusive Finance Business Division

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Operating income	**236,797**	218,889
Operating cost	**9,077**	12,733
Other non-operating losses	**(177,141)**	(138,284)
Profit before tax	**50,579**	67,872

In 2021, the Company adjusted the structure and functions of the Inclusive Finance Business Division. The Inclusive Finance Business Division is responsible for pawnshop, micro-finance, turnover loan fund, art investment and luxury sales.

As of 31 December 2021, the operating income amounted to RMB236,797 thousand, representing an increase as compared with 2020. The main reason is the moderate increase in revenue generated from the pawnshop business and the art investment business, respectively. As of 31 December 2021, the profit before tax amounted to RMB50,579 thousand, representing a decrease as compared with 2020. The main reason is the increase in the impairment allowance.

2.2.2 Ecology Finance Business Division

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Operating income	**114,452**	11,037
Operating cost	**98,538**	132
Other non-operating losses	**(4,031)**	(9,449)
Profit before tax	**11,883**	1,456

In 2021, the Company established the Ecology Finance Business Division. The Ecology Finance Business Division is responsible for commercial factoring, supply chain management, equity investment, special asset investment, and insurance brokerage.

As of 31 December 2021, the operating income amounted to RMB114,452 thousand, representing a significant increase as compared with 2020. The main reason is the increase in revenue generated from the supply chain management business and the commercial factoring business. As of 31 December 2021, the profit before tax amounted to RMB11,883 thousand, representing a significant increase as compared with 2020. The main reason is the increase in revenue generated from the commercial factoring business.

2.2.3 Headquarters and Others

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Operating income	**19,008**	23,395
Operating cost	**15,607**	21,504
Other non-operating profit/(loss)	**81,482**	(47,349)
Profit/(loss) before tax	**84,883**	(45,458)

As the core of the Group's progress and development, the headquarters has undertaken the service functions of investment management, risk prevention and control, scientific and technological support, logistics support, etc. In recent years, it has been committed to lowering costs and increasing efficiency. In the future, it will continue to promote fine management to increase income and reduce expenditure.

As of 31 December 2021, the operating income amounted to RMB19,008 thousand, representing a decrease as compared with 2020. The main reason is the decrease in revenue generated from the entrusted loan business. As of 31 December 2021, the profit before tax amounted to RMB84,883 thousand, representing a significant increase as compared with 2020. The main reason is the fair value change on the Zhonghui Financial Building, which was an investment property and was completed in December 2021.

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December				
	2021				2020
	ECL staging				
	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000	Total RMB'000
Loans to customers					
Secured loans to customers (a)	538,408	42,118	817,840	1,398,366	1,266,496
Unsecured loans to customers (b)	810,376	6,797	244,019	1,061,192	1,151,385
Gross carrying amount	1,348,784	48,915	1,061,859	2,459,558	2,417,881
Loss allowances	(30,566)	(13,688)	(600,227)	(644,481)	(603,670)
Carrying amount	1,318,218	35,227	461,632	1,815,077	1,814,211
Term deposits with banks					
Credit grade					
AAA	244,390	–	–	244,390	325,306
Gross carrying amount	244,390	–	–	244,390	325,306
Loss allowances	(164)	–	–	(164)	(164)
Carrying amount	244,226	–	–	244,226	325,142
Structured deposits with banks					
Credit grade					
AAA	61,295	–	–	61,295	82,880
Gross carrying amount	61,295	–	–	61,295	82,880
Other current assets (excluding repossessed assets)					
Gross carrying amount	12,345	–	1,901	14,246	7,076
Loss allowances	–	–	(951)	(951)	(1,607)
Carrying amount	12,345	–	950	13,295	5,469
Guarantee and commitment					
Financial guarantees exposure	46,950	–	–	46,950	48,550

(a) Secured loans to customers comprise real estate backed loans and personal property backed loans.

(b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2021, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB644,481 thousand, representing approximately 26.2% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB40,811 thousand as compared with the end of last year.

The following table sets forth the breakdown of impairment allowance of the Group as of the indicated dates:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Secured loans to customers	**389,812**	363,747
Unsecured loans to customers	**250,120**	235,353
	639,932	599,100

3.2 New Loans under Legal Proceedings

	For the year ended 31 December	
	2021	**2020**
New Secured Loans		
Number of clients	**33**	18
Outstanding loans (RMB thousand)	**39,343**	19,384
New Unsecured Loans		
Number of clients	**–**	2
Outstanding loans (RMB thousand)	**–**	5,244

As at 31 December 2021, the balance of new secured loans under legal proceedings was RMB39,343 thousand and there is no new unsecured loans under legal proceedings. There is a significant increase of the balance of new loans under legal proceedings from the end of the previous year.

4. BORROWINGS

	As at 31 December	
	2021	2020
Non-current		
Bank borrowings (a)	**89,380**	50,380
Current		
Bank borrowings (b)	**506,280**	436,489
Borrowings from micro-finance companies (c)	**–**	23,500
	506,280	459,989
	595,660	510,369

The Group's borrowings are all denominated in RMB.

(a) As at 31 December 2021, non-current bank borrowing with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) is borrowed specifically for the construction of Zhonghui Financial Building. The borrowing is repaid in scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group"). As at 31 December 2021, the undrawn bank borrowing facilities are RMB4.1 million (31 December 2020: RMB49.6 million).

(b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.40% to 5.50% per annum as at 31 December 2021 (31 December 2020: fixed rate from 3.60% to 5.95% per annum).

As at 31 December 2021, no bank borrowings which are secured by restricted term USD deposits (31 December 2020: bank borrowings of RMB210.8 million are secured by restricted term deposits of US$33.8 million) (Note 34).

As at 31 December 2021, bank borrowings with principal amount of RMB222.0 million (2020: RMB65.5 million) are secured by restricted term deposits of RMB234.2 million (2020: RMB68.6 million) (Note 34).

As at 31 December 2021, bank borrowings with principal amount of RMB59.5 million are secured by structured deposits of RMB59.5 million (31 December 2020: nil).

As at 31 December 2021, bank borrowings with principal amount of RMB120.2 million (31 December 2020: RMB120.2 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders.

As at 31 December 2021, bank borrowings with principal amount of RMB30.0 million are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2020: nil).

(c) As at 31 December 2021, no borrowings from micro-finance companies are guaranteed by Wuzhong Group (2020: RMB23.5 million).

As at 31 December 2021, the gearing ratio of the Group was 26.18%. The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible.

For the year ended 31 December 2021, the Group did not use any financial instruments for hedging purposes.

5. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of purchases of property, plant and equipment, intangible assets and investment properties. Our capital expenditure was RMB79,266 thousand for the year ended 31 December 2021, as compared with RMB7,259 thousand for 2020.

6. EXPOSURE TO FOREIGN EXCHANGE RISK

For the year ended 31 December 2021, the net foreign currency losses of the Group were RMB3,303 thousand, representing a decrease as compared to the net foreign currency gains of RMB18,005 thousand for the corresponding period of last year. The Group is free from material foreign exchange risk and does not conduct any related hedging as it concludes deals in RMB.

7. PLEDGE OF ASSETS

As at 31 December 2021, land-use right of RMB34.2 million of the Group (31 December 2020: RMB34.6 million) is pledged with banks to secure borrowings.

As at 31 December 2021, structured deposits with principal amount of RMB140.4 million of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB135.5 million (31 December 2020: nil).

As at 31 December 2021, restricted term deposits of RMB287.0 million (31 December 2020: RMB68.6 million) are pledged with banks to secure the Group's bank borrowings with principal amount of RMB272.0 million of the Group (31 December 2020: RMB65.5 million).

Save as disclosed above, for the year ended 31 December 2021, the Group did not have any pledge of assets.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

8.1 Establishment of Suzhou Cibei

On 16 April 2021, Suzhou Cibei was formally established in Suzhou, the PRC, with a registered capital of RMB50 million to develop special asset investment, special asset disposal, special asset operation and other businesses. The Company promised to invest RMB45 million, with a shareholding ratio of 90%, and had paid RMB16 million for the year ended 31 December 2021. According to the partnership agreement, the Group has significant influence over Suzhou Cibei. The Group's investment strategy is to use the experience and resources accumulated as a loaner in Suzhou for many years to obtain excess returns from the disposal of special assets.

8.2 Establishment of Nanjing Yiling

On 8 May 2021, Nanjing Yiling was formally established in Nanjing, the PRC, with a registered capital of RMB55 million to develop artwork investment, artwork custody, artwork disposal and other businesses. The Company promised to invest RMB30.25 million, with a shareholding ratio of 55%, and had paid RMB30.25 million for the year ended 31 December 2021. The Group's investment strategy is to expand the art financial market and achieve diversified development.

8.3 Establishment of Huifang Rongcui

On 29 June 2021, Huifang Rongcui was formally established in Suzhou, the PRC, with a registered capital of RMB100 million to develop direct equity investment, FOF investment and other businesses. The Company promised to invest RMB90 million, with a shareholding ratio of 90%, and had paid RMB13.5 million for the year ended 31 December 2021. The Group's investment strategy is to seize the development opportunities of advanced manufacturing, new energy and biomedicine, and realize the coordinated development of debt business and equity business.

8.4 Capital Increase Regarding Huida Factoring and Deemed Disposal

On 2 July 2021, Huifang Tongda, Wuzhong Gaoxin, Dongfang Investment and Wuzhong Investment, entered into an agreement, pursuant to which the above mentioned parties agreed to further increase the registered capital of Huida Factoring. Upon completion of the capital increase, the registered capital of Huida Factoring increased from RMB100 million to RMB170 million and the total amount of capital contribution made by the Company to Huida Factoring through Huifang Tongda become RMB90 million, whereas the Company's shareholding in it would decrease from 60.00% to 52.94%. Therefore, the capital increase contemplated under the agreement constitutes a deemed disposal of approximately 7.06% of the Company's equity interest in Huida Factoring. The Group's investment strategy is to improve its credit level, which is conducive to its business expansion, procurement of further bank financing and servicing of more small and micro enterprises in the PRC.

8.5 Establishment of Changsha Pawnshop

On 9 December 2021, Changsha Pawnshop was formally established in Changsha, the PRC with a registered capital of RMB50 million. The Company owns 82% and 18% of its shares through Huifang Tongda and Huifang Rongda. Changsha Pawnshop was the only pawnshop approved for establishment in Hunan Province in the past year, and its future business is mainly to provide secured loans services (including real estate backed loans and personal property backed loans) in Hunan, the PRC. The Group's investment strategy is to further promote the national expansion of the pawnshop business and strength its dominant position in the pawnshop industry in the PRC.

8.6 Capital Increase Regarding Huifang Supply Chain

On 30 November 2021, the Company further increased the capital of Huifang Supply Chain through Huifang Technology, and the registered capital increased from RMB50 million to RMB400 million. The Group's investment strategy is to take advantage of the growing business scale of Huifang Supply Chain to reduce the balance of capital backed loans of Huifang Technology and reduce financial costs.

8.7 Investment of Zhonghui Financial Building

On 31 December 2021, the construction project of Zhonghui Financial Building (Sudi 2017-WG-51) was completed and obtained a real estate license. The total construction scale of the project is 17,894.27 square meters. The total investment is approximately RMB155 million. This investment property is located at No. 288 Yingchun Road, Wuzhong District, Suzhou, Jiangsu Province, the PRC, which is freehold and is currently used as office. The investment strategy of the Group is to attract financial enterprises to settle in and create an ecosystem with investment property as a platform.

As at 31 December 2021, the fair value of each of the abovementioned investments represented less than 5% of the total assets of the Group. As at 31 December 2021, the Group did not hold any significant investments in the equity interests of any other companies. The Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Year.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

9.1 Contingencies

As at 31 December 2021, the Group did not have any significant contingent liabilities except for the Group's normal guarantee business in the amount of RMB47.0 million (31 December 2020: RMB48.6 million).

9.2 Commitments

(a) Capital commitments

	As at 31 December	
	2021	2020
Suzhou Cibei Management Consulting partnership (LP) ("Suzhou Cibei") (a)	**29,025**	–
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (b)	**5,000**	–
Zhonghui Financial Building	**–**	87,162
	34,025	87,162

(a) The committed capital injection to Suzhou Cibei is RMB45.0 million, of which RMB29.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

(b) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB5.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

9.3 Cash Usage Analysis

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB234,781 thousand, representing an increase of RMB130,862 thousand as compared with that of 2020. The following table sets forth a summary of our cash flows for the indicated periods:

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net cash inflow from operating activities	**98,459**	410,782
Net cash outflow from investing activities	**(75,669)**	(7,259)
Net cash inflow/(outflow) from financing activities	**108,418**	(479,171)
Net increase/(decrease) in cash and cash equivalents	**131,208**	(75,648)
Cash and cash equivalents at the end of year	**234,781**	103,919

Net Cash Flow from Operating Activities

During the Reporting Year, net cash inflow from operating activities amounted to RMB98,459 thousand, representing a decrease as compared with 2020. This is due to the smooth business expansion and the improvement of the capital utilization efficiency.

Net Cash Flow from Investing Activities

During the Reporting Year, net cash outflow from investing activities amounted to RMB75,669 thousand, representing an increase as compared with 2020. This is due to the development of equity investment business and special asset investment business.

Net Cash Flow from Financing Activities

During the Reporting Year, net cash inflow from financing activities amounted to RMB108,418 thousand, representing an increase as compared with 2020. This is due to the increase in bank financing for commercial factoring business and supply chain management business.

10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 31 December 2021, the Group had a total of 141 full-time employees, with an increase of 1 person from 140 people as at 31 December 2020. Based on the development of our business, we will formulate diversified human resources optimization plans, and review of our employees' performance so as to adjust the number of our employees and our remuneration policy.

For the year ended 31 December 2021, the expenses for employee remuneration and benefits were approximately RMB35,278 thousand, representing an increase of approximately RMB6,862 thousand compared with the same period of last year.

Pursuant to the applicable PRC regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We have been in compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material respects. We are not subject to any collective bargaining agreements.

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save as disclosed in this annual report, the Group has no other plans for material investments or acquisition of capital assets. However, the Group will continue to seek for new business opportunities.

12. EVENTS AFTER REPORTING YEAR

A dividend in respect of profits for the year ended 31 December 2021 of HK$0.04 per Share, amounting to a total dividend of HK$43.6 million (equivalent to approximately RMB38 million), is to be proposed at the annual general meeting on 26 May 2022 (2020: nil). These financial statements do not reflect this dividend payable.

PROSPECTS

Inclusive Finance Business Division: The pawnshop business will continue to be guided by the national expansion strategy to hedge the risk of regional concentration in the operation area and further promote the brand in the industry. The Company will pay attention to the development of art investment business and luxury sales business, and build a balanced development pattern with a reasonable structure of light assets and heavy assets.

Ecology Finance Business Division: The commercial factoring business will increase its financing scale and enrich its product structure. The special asset investment business will build an independent disposal platform. The equity investment business will seek to participate in investment funds as a GP. The Company will complete the team formation and business model exploration of wealth management business and financial leasing business.

Headquarters: The Company will focus on value creation, business innovation, brand promotion, and team formation. The headquarters provide guarantee and support for "deeply cultivating inclusive finance to become stronger and better, and deeply developing ecology finance to become stronger and bigger".

DIRECTORS

The Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. WU Min (吳敏), aged 53, is the chairman of our Company and was appointed as an executive Director on 17 May 2012. Mr. Wu has been the chief executive officer of our Company from being Listing to 17 October 2017. Mr. Wu is responsible for convening and presiding over the board meetings regularly and making decisions on the key issues of our Company, such as determining the Company's macroscopic development direction, researching into relevant national policies and avoiding the systemic risks in our industry. Upon joining our Group in 26 January 2011, Mr. Wu has been the general manager of the PRC Operating Entity. He possesses approximately 30 years of experience in commercial banking, finance and management. Mr. Wu worked in various positions in the Suzhou branch of the Industrial and Commercial Bank of China from 1985 to 2011, including being the President and Secretary of the Committee of Communist Party of China of the Wuzhong branch between 2005 and 2011. Mr. Wu graduated from Jiangsu Radio and TV University (江蘇廣播電視大學), majoring in finance, in July 1994; from the Party School of the Central Committee of Communist Party of China Correspondence Institute (中共中央黨校函授學院), majoring in executive management, in December 2001 and from the School of Business of Soochow University (蘇州大學商學院) in October 2003, where he completed a postgraduate course in finance and from China Europe International Business School in November 2017, where he completed an EMBA degree. In November 2000, Mr. Wu obtained the Intermediate Economist qualification (中級經濟師任職資格) issued by the Ministry of Personnel of the PRC (中國人事部).

Mr. Wu has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. ZHANG Changsong (張長松), aged 49, is the chief financial officer of the Company and was appointed as an executive Director on 4 January 2016. He is also in charge of Ecology Finance Business Division of the Company. Mr. Zhang is a senior accountant recognized by the Jiangsu Provincial Department of Human Resources and Social Security (江蘇省人力資源和社會保障廳) and a certified internal auditor recognized by the China Institute of Internal Audit with the authorization from the Institute of Internal Auditors. Mr. Zhang has also been awarded the professional designation of Certification in Risk Management Assurance by the Institute of Internal Auditors. Mr. Zhang received his bachelor's degree in accounting from Anhui University of Finance & Economics (安徽財經大學), formerly known as Anhui Institute of Finance and Trade (安徽財貿學院), in 1998 and obtained his master's degree from Tsinghua University in 2019. Mr. Zhang has more than 20 years of experience in auditing and accounting. In September 1998, he started working as an auditing staff at Anhui Xinhua Bookstore, which is currently known as Anhui Xinhua Media Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange). From 2005 to 2012, Mr. Zhang worked as an accounting supervisor, assistant manager in the asset auditing department, manager in the asset auditing department at Wuzhong Group, respectively. During the period from 2013 to 31 December 2015, he was the vice chief auditor and general manager in the asset auditing department, a member of the audit committee and the budget committee at Wuzhong Group.

Mr. Zhang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Non-executive Directors

Mr. ZHUO You (卓有), aged 53, was appointed as a non-executive Director on 17 May 2012. Mr. Zhuo is currently the director and Vice President of Wuzhong Group responsible for the strategic investment and overall management of Wuzhong Group. Mr. Zhuo is also Secretary of the Committee of the Communist Party of Wuzhong Group. He graduated from Suzhou Vocational University (蘇州市職業大學) in July 1990 where he completed a secretarial course. Mr. Zhuo was a reporter and editor of Suzhou Wuxian Radio Station (蘇州吳縣市廣播電台) from August 1990 to February 1995. Since 1995, he has held various positions including the positions of planning director, manager of the administration and management department, office director, assistant general manager and deputy managing director of Wuzhong Group and general manager of Suzhou Taihu Construction Investment Company (蘇州太湖建設投資公司), a subsidiary of Wuzhong Group.

Mr. Zhuo has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. ZHANG Cheng (張成), aged 39, was appointed as a non-executive Director on 17 May 2012. Mr. Zhang is responsible for investor relations of our Company. Mr. Zhang graduated from Nanjing University with a bachelor's degree in economics and a master's degree in western economics in June 2002 and June 2005, respectively. Mr. Zhang was the investment manager of the Strategic Investment Department of Wuzhong Group from July 2005 to February 2006. From February 2006 to February 2008, he served as the assistant general manager of Jiangsu Wuzhong Hi-Tech Venture Capital Co., Ltd (江蘇吳中高科創業投資有限公司), a subsidiary of Wuzhong Group, and from February 2008, he became the deputy general manager and from February 2011, he became the general manager of such company. From February 2010 to January 2019, Mr. Zhang also worked successively as the deputy general manager and the general manager of Suzhou Education Investment Company (蘇州教育投資有限公司), a subsidiary of Wuzhong Group. During his various positions in Wuzhong Group and the two subsidiaries of Wuzhong Group, Mr. Zhang is responsible for the management and development in relation to investment in the bio-pharmaceutical, information technology areas and private education.

Mr. Zhang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Ms. ZHANG Shu (張姝), aged 56, was appointed as a non-executive Director on 18 March 2016. Ms. Zhang has been a vice president of Wuzhong Group since December 2011. Ms. Zhang has more than 29 years of experience in banking and finance industry. From August 1986 to May 1990, she worked as a clerk at the sales department of Suzhou branch of Bank of China. From May 1990 to October 1999, Ms. Zhang commenced working as a clerk in the bill settlement department and subsequently became the chief officer of loan department at Suzhou branch of Bank of China. Afterwards, Ms. Zhang worked as an assistant vice president in the administration division of BOC International Holdings Limited in Hong Kong from November 1999 to August 2003. She became the vice president of Suzhou Industrial District branch of Bank of China from September 2003 to March 2007 and then worked as the president of Suzhou Wuzhong branch of Bank of China from March 2007 to October 2011. Ms. Zhang then worked as the general manager of the risk management department of Suzhou branch of Bank of China from October 2011 to December 2011. Ms. Zhang obtained a diploma in English from Nanjing Normal University (南京師範大學) in June 1995 and a postgraduate degree in world economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in September 1998. Ms. Zhang was awarded with the qualification certificate of speciality and technology in the speciality of financial economics (intermediate level) by the Human Resources Department of the People's Republic of China (中華人民共和國人事部) in November 1997.

Ms. Zhang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. LING Xiaoming (凌曉明), aged 49, was appointed as a non-executive Director on 28 May 2018. Mr. Ling has over 20 years of experience in the legal profession. Mr. Ling has been the chief risk officer of Wuzhong Group since February 2018. He served as a general manager of the legal department of Wuzhong Group from May 2016 to February 2018. Mr. Ling worked in the judiciary system of the Jiangsu Province for approximately 20 years and held various positions such as judge and presiding judge of different courts from August 1995 to April 2016. Mr. Ling received the Bachelor of Law from East China University of Political Science and Law (華東政法大學), formerly known as East China University of Politics and Law (華東政法學院), in 1995, and the Master of Law from Jilin University (吉林大學) in 2007. Mr. Ling was qualified as a lawyer in the PRC in 2017.

Mr. Ling has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Independent Non-executive Directors

Mr. Liang Jianhong (梁劍虹), aged 44, was appointed as an independent non-executive Director on 28 May 2021. Mr. Liang obtained a bachelor's degree in Engineering from Zhejiang University (浙江大學) in June 1997 and a master's degree in Economics from East China Normal University (上海華東師範大學) in Shanghai in June 2001. Mr. Liang was employed at the investment banking department of BOCI Securities Limited from July 2001 to August 2004, and worked in the investment banking department of UBS AG Hong Kong Branch from August 2004 to April 2006. From April 2006 to March 2013, Mr. Liang served as an executive director in the China investment banking department of J.P. Morgan Securities (Asia Pacific) Limited. From January 2014 to April 2019, Mr. Liang worked at China Securities (International) Finance Holding Company Limited, successively serving as the co-head of the investment banking department and a director of China Securities (International) Corporate Finance Company Limited. In April 2019, Mr. Liang founded Future Finance Limited (未來金融有限公司) and has since served as its chief operating officer.

Mr. Liang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. FENG Ke (馮科), aged 50, was appointed as an independent non-executive Director on 6 October 2013. Mr. Feng graduated from Guangdong University of Finance (廣東金融學院) majoring in international finance in July 1993; from Guangdong Academy of Social Sciences (廣東省社會科學院) with a master's degree in economics in July 1999; and from Peking University School of Economics (北京大學經濟學院) with a doctor's degree in political economics in July 2002. Mr. Feng worked successively as an associate professor and a full professor at School of Economics of Peking University from 2010. Mr. Feng was the assistant manager of Golden Eagle Asset Management Co., Ltd (金鷹基金管理有限公司) from November 2002 to January 2006.

Mr. Feng currently holds directorships as follows:

- independent non-executive director of Asian Capital Resources (Holdings) Limited (亞洲資產(控股)有限公司) (the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 08025)), since October 2008, re-designated as executive director on 1 September 2013;

- independent non-executive director of Zhuguang Holdings Group Co. Ltd. (珠光控股集團有限公司) (the shares of which are listed on the main board of the Stock Exchange (Stock Code: 01176)), since June 2015; and

- independent director of Tianjin Guangyu Development Co., Ltd (天津廣宇發展股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000537)), since June 2018.

- independent non-executive director of Aotecar New Energy Technology Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002239)), since 20 July 2021

- independent non-executive director of Liaoning Cheng Da Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600739)), since 18 August 2021

In addition, Mr. Feng held the following directorships in various listed companies in the last 3 years:

- independent non-executive director of Yingde Gases Group Company Limited (the shares of which were listed on the main board of the Stock Exchange (Stock Code: 02168) and the listing of shares was withdrawn subsequently through the completion of compulsory acquisition on 21 August 2017), from November 2016 to March 2017;

- independent director of China Greatwall Technology Group Co., Ltd. (中國長城科技集團股份有限公司) (formerly known as China Great Wall Computers Shenzhen Co. Ltd (中國長城計算機深圳股份有限公司)) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000066)), from August 2010 to April 2018; and

- independent director of Shenzhen Yushun Electronic Limited (深圳市宇順電子股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002289)), from December 2015 to October 2020.

Mr. TSE Yat Hong (謝日康), aged 52, was appointed as an independent non-executive Director on 6 October 2013. Mr. Tse is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse graduated from Monash University in Australia in April 1992 with a bachelor's degree in science. From June 2000 to May 2019, Mr. Tse served as the chief financial officer of Shenzhen International Holdings Limited (the shares of which are listed on the Stock Exchange (Stock code: 00152)). From August 2000 to March 2008, Mr. Tse was also the company secretary of Shenzhen International Holdings Limited. Mr. Tse served as the joint company secretary of Shenzhen Expressway Company Limited from September 2004 to September 2007. Prior to that, Mr. Tse worked in the audit profession in one of the international accounting firms for years.

Mr. Tse currently holds the directorships as follows:

- independent non-executive director of Sky Light Holdings Limited (the shares of which are listed on the Stock Exchange (Stock code: 03882)) since December 2017;

- independent non-executive director of China Bohai Bank Co., Ltd. (the shares of which are listed on the Stock Exchange (Stock code: 09668)) since June 2020;

- independent non-executive director of Radiance Holdings (Group) Company Limited (the shares of which are listed on the Stock Exchange (Stock Code: 09993)), since October 2020; and

- independent non-executive director of E-Star Commercial Management Company Limited (the shares of which are listed on the Stock Exchange (Stock Code: 06668)), since January 2021.

In addition, Mr. Tse had served as an non-executive director of Shenzhen Expressway Company Limited (the shares of which are listed on the Stock Exchange (Stock code: 00548)), from January 2009 to December 2017.

Save as disclosed in this section, there is no other matters concerning the Directors which are discloseable pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no any material matters concerning the Directors that need to be brought to the attention of the Shareholders.

Save as disclosed in the section headed "Directors' Report" of this annual report, as at 31 December 2021, (i) none of the above Directors had any interests in the shares of the Company within the meaning of Part XV of the SFO; and (ii) none of the Director is a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Senior Management

Mr. Qiu Wei (邱蔚), aged 48, is the Chief Executive Officer of our Group. He is responsible for all aspects of the operations of the Company. Mr. Qiu obtained his Executive Master's degree in Business Administration from Shanghai University of Finance and Economics (上海財經大學) in 2014. From July 1993 to November 1994, Mr. Qiu worked as a clerk in the Finance Department of Suzhou Pharmaceutical Industry Supply and Sales Company (蘇州市醫藥工業供銷公司) and was transferred to the Sales Department of Bank of China, Suzhou Branch in December 1994. Between August 1997 and April 2013, Mr. Qiu successively served different positions in Bank of China, Suzhou Branch. Mr. Qiu served as a clerk of the Credit Banking Division of Suzhou Branch in August 1997 until July 2000. From July 2000 to March 2001, Mr. Qiu successively served as a Deputy Section Chief of the Credit Banking Division and a Deputy Manager of the Corporate Business Section of Kunshan Sub-branch. From April 2001 to February 2007, he successively served as a Deputy Section Chief, Section Chief and Department Head of Corporate Business Department of Suzhou Branch. Afterwards, Mr. Qiu served as a Vice President of Xiangcheng Sub-branch from February 2007 to August 2009, the President of Canglang Sub-branch from September 2009 to October 2011 and the General Manager of Banking Card Department of Suzhou Branch from October 2011 to April 2013. From May 2013 to July 2014, Mr. Qiu was participating in the planning and establishment of Nanyang Commercial Bank (China) Limited, Suzhou Branch. Afterwards, he served as a Vice President (in charge of sales) of Nanyang Commercial Bank (China) Limited, Suzhou Branch from July 2014 and has become the President of such branch from February 2018 to October 2021. Mr. Qiu joined the Group as Chief Executive Officer in October 2021.

Mr. YAO Wenjun (姚文軍), aged 52, is a vice president of the Group in charge of the Inclusive Finance Business Division of the Company. Mr. Yao graduated from Southwestern University of Finance and Economics (西南財經大學) with a bachelor's degree in accounting in July 2010. From August 1989 to November 2012, he worked successively as an account manager, director and assistant president at China Construction Bank (Wuzhong Branch) in Suzhou. Mr. Yao joined the Group as vice president in January 2016.

Ms. CAO Yu (曹瑜), aged 47, is the Chief Risk Officer of our Group. She is responsible for risk control, asset disposal and legal issues. Ms. Cao obtained a bachelor's degree in international trading from Peking University (北京大學) in July 1999. From August 1994 to December 2012, she worked in China Industrial and Commercial Bank of China, Suzhou Wuzhong sub-branch as an employee of the credit management department, account manager, manager of the corporate department, manager and senior credit approver of the Head Office of Industrial and Commercial Bank of China successively. Ms. Cao joined the Group in January 2013 as the general manager of our branch company and an assistant to the President of the Group.

Mr. ZHOU Jun (周俊), aged 49, is an assistant to the President of the Group. He assists in the management of Ecology Finance Business Division of the Company. Mr. Zhou obtained a bachelor's degree in corporate management from the Management Engineering Department of Suzhou Silk Engineering Institute (蘇州絲綢工學院管理工程系) (currently known as the Business School of Soochow University (蘇州大學商學院)) in July 1995 and a master's degree in business administration from the Business School of Soochow University in July 2008. From August 1995 to September 2001, he was the head of the delivery department of the Suzhou Commodity (Futures) Exchange (蘇州商品(期貨)交易所). From October 2001 to March 2006, he worked in Soochow Securities Co., Ltd. as a manager of the consulting center of the research institute and an assistant to general manager of the securities business department in Shishan Road successively. From April 2006 to January 2020, he worked in Wuzhong Group as deputy director of the board office and general manager of Suzhou Jiadingsheng Asset Management Co., Ltd. (蘇州嘉鼎晟資產管理有限公司) successively. Mr. Zhou joined the Group in February 2020 as an assistant to the President of the Group.

Save as disclosed in this section, there is no financial business, family or other material relationship among the Directors and the senior management.

MANAGEMENT CONTINUITY

Our management team is a group of chief executive led by Mr. Wu Min, the chairman of the Company, who joined the Group in January 2011. He has been an executive director of the PRC Operating Entity since 2011 and, as such, is responsible for overseeing the operations and making the decisions on the key issues of our Group.

Mr. Wu Min is ultimately responsible for the management team, being Mr. Qiu Wei (joined in October 2021), Mr. Zhang Changsong (joined in January 2016), Ms. Cao Yu (joined in January 2013) , Mr. Yao Wenjun (joined in January 2016), and Mr. Zhou Jun (joined in February 2020).

JOINT COMPANY SECRETARIES

Mr. CHAI Kun (柴琨), aged 30, was appointed as a joint company secretary of our Company on 20 April 2020. He is responsible for daily operation management, investor relations maintenance, investment and financing issues. Mr. Chai graduated from Peking University School of Government Management (北京大學政府管理學院) with a bachelor's degree in management in July 2014. He served as a secretary to the president of Wuzhong Group from August 2014 to February 2017. Mr. Chai joined the Group in February 2017 and successively served as senior investment manager, director of the office of the board of directors and joint company secretary.

Miss LEUNG Ching Ching (梁晶晶), aged 41, was appointed as a company secretary of our Company on 6 October 2013 and has served as a joint company secretary of our Company since 20 April 2020. Miss Leung serves as a senior manager of corporate services of Tricor Services Limited. She has over 18 years of experience in the company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the main board of the Stock Exchange. Miss Leung is a Chartered Secretary and a Fellow of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. She graduated from The Chinese University of Hong Kong and received a Master of Arts degree in Professional Accounting and Information System from City University of Hong Kong.

AUDIT COMMITTEE

Our Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Tse Yat Hong and Mr. Feng Ke, our independent non-executive Directors and Ms. Zhang Shu, our non-executive Director. Mr. Tse Yat Hong has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director who possesses the appropriate professional qualifications. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

REMUNERATION COMMITTEE

Our Company established a remuneration committee ("Remuneration Committee") with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of three members, namely Mr. Liang Jianhong and Mr. Tse Yat Hong, our independent non-executive Directors and Mr. Wu Min, our executive Director. Mr. Liang Jianhong has been appointed as the chairman of the Remuneration Committee. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

NOMINATION COMMITTEE

Our Company established a nomination committee ("Nomination Committee") with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three members, namely Mr. Feng Ke and Mr. Liang Jianhong, our independent non-executive Directors, and Mr. Wu Min, our executive Director. Mr. Wu Min has been appointed as the chairman of the Nomination Committee. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

TECHNOLOGY FINANCE BUSINESS COMMITTEE

The Company established the technology finance business committee ("Technology Finance Business Committee") with written terms of reference. The Technology Finance Business Committee consists of three members, namely Mr. Feng Ke, our independent non-executive Director and Mr. Wu Min and Mr. Zhang Changsong, our executive Directors. Mr. Feng Ke has been appointed as the chairman of the Technology Finance Business Committee. The main responsibilities of the Technology Finance Business Committee include formulating and developing strategies for the Group's financial technology issues ("Technology Finance Business") such as supply chain financing, providing funding using financial technology, carrying out block chain and big data analysis, and make recommendations to the Board; overseeing the implementation of the Technology Finance Business of the Group, and evaluating the performance and efficiency of the Technology Finance Business; and considering other matters as defined by the Board.

Technology Finance Business Committee has been dissolved and discharged with effect from 17 December 2021.

CHANGE IN DIRECTORS' INFORMATION

Under the Rule 13.51B(1) of Listing Rules, the changes in Directors' information of the Company required to be disclosed in this annual report are as follows:

Mr. Zhang Huaqiao has retired as an independent non-executive Director, and ceased to act as the chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 28 May 2021.

Mr. Liang Jianhong has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 28 May 2021.

Mr. Feng Ke, an independent non-executive Director, has been a full professor of the Peking University School of Economics (北京大學經濟學院) since 11 June 2021; an independent non-executive director of Aotecar New Energy Technology Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002239)), since 20 July 2021; and an independent non-executive director of Liaoning Cheng Da Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600739)), since 18 August 2021.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration for our Directors (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances, share option schemes and other benefits in kind) for the years ended 31 December 2020 and 2021 was approximately RMB3,040 thousand and RMB3,902 thousand, respectively.

During the years ended 31 December 2020 and 2021, five highest paid individuals of the Group included two executive Directors, whose emoluments were deducted from emoluments payable to the five highest paid individuals. Emoluments of the remaining highest paid individuals were RMB2,309 thousand and RMB3,054 thousand.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the year ended 31 December 2021.

Save as disclosed above, no other payments have been made or are payable in respect of each of the two years ended 31 December 2020 and 2021 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and chief executives in reference to the recommendations from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

The Board of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the provision of comprehensive financing services in the PRC.

BUSINESS REVIEW

The business review of the Group as at 31 December 2021 is set out in the section headed "Management Discussion and Analysis" from pages 6 to 20 of this annual report.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

Description of possible risks and uncertainties facing the Company is set out in the paragraph headed "4 Financial Risk Management" in the section headed "Notes to the Consolidated Financial Statements" from pages 120 to 137 of this annual report.

EVENTS AFTER THE REPORTING YEAR

The event of the Group after the Reporting Year is set out in the "Management Discussion and Analysis" on page 28 of this annual report.

FUTURE BUSINESS DEVELOPMENT

A discussion of the Group's future business development is set out in the "Chairman's Statement" on page 5 and "Management Discussion and Analysis" on page 28 of this annual report.

FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance during the Reporting Year using financial key performance indicators is set out in the "Financial Summary" on page 3 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a comprehensive financing service provider in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the Reporting Year, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. Details of the Group's environmental policies and performance and compliance with laws and regulations that have a significant impact on the Group are set out in the section headed "Environmental, Social and Governance Report" from pages 76 to 85 of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's financial affairs as at that date are set out on pages 94 to 95 of this annual report.

FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK$0.04 per Share in respect of the year ended 31 December 2021 (the "2021 Final Dividend") (2020: nil). The 2021 Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 2 June 2022. Based on the 1,090,335,000 Shares in issue as at 31 December 2021, the payment of the 2021 Final Dividend is expected to amount to approximately HK$43,613,400, which will be paid on or before Monday, 27 June 2022. The retained profit will be primarily used for the Group's business developments and/or acquisitions in the PRC.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both dates inclusive) and from Wednesday, 1 June 2022 to Thursday, 2 June 2022 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 20 May 2022. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Tuesday, 31 May 2022.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statements of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2021 are set out in Note 36 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 35 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2021 are set out in Note 18 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out in Page 3 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for the Directors and senior management in respect of certain liabilities arising out of corporate activities. As required by Section 470(1) and (2) of the Companies Ordinance, it is confirmed that the permitted indemnity provision mentioned above is/was in force for the benefit of the Directors/then Directors when the directors' report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance; and has been in force throughout the financial year ended 31 December 2021, respectively. According to the Articles of Association, each Director is entitled to the compensation out of the assets of the Company for all losses or liabilities incurred due to the execution of his/her duties or taken place related to such execution. The Company has taken out the appropriate directors' and officers' liability insurance policy for the directors and officers of the Group as a means of security.

EQUITY-LINKED AGREEMENT

Apart from the share option scheme of the Company set forth from pages 44 to 46, the Company has not entered into any equity-linked agreement during the Reporting Year or there was not any subsisting equity-linked agreement entered into by the Company at the end of the Reporting Year.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the Reporting Year were:

Directors

Name	Position
Mr. Wu Min	Executive Director, Chairman of the Board
Mr. Zhang Changsong	Executive Director and Chief Financial Officer
Mr. Zhuo You	Non-executive Director
Mr. Zhang Cheng	Non-executive Director
Ms. Zhang Shu	Non-executive Director
Mr. Ling Xiaoming	Non-executive Director
Mr. Zhang Huaqiao[1]	Independent Non-executive Director
Mr. Liang Jianhong[1]	Independent Non-executive Director
Mr. Feng Ke	Independent Non-executive Director
Mr. Tse Yat Hong	Independent Non-executive Director

Note:

1. Mr. Zhang Huaqiao has retired as an independent non-executive Director with effect from 28 May 2021. Mr. Liang Jianhong has been appointed as an independent non-executive Director with effect from 28 May 2021.

Senior Management

Name	Position
Mr. Qiu Wei	Chief Executive Officer
Mr. Yao Wenjun	Vice President
Ms. Cao Yu	Chief Risk Officer
Mr. Zhou Jun	Assistant to the President of the Group

The biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Year or at any time during the Reporting Year.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely, Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors have been independent from their respective date of appointment to 31 December 2021 and remain independent as of the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares *(Note 4)*
Wu Min	Beneficial owner	Ordinary Shares	1,840,000 (L)	0.17%
Zhang Changsong	Beneficial owner	Ordinary Shares	2,490,000 (L)	0.23%
Zhuo You	Interest in controlled corporation	Ordinary Shares	39,000,000 (L) *(Note 2)*	3.58%
Zhang Shu	Beneficial owner	Ordinary Shares	600,000 (L)	0.06%

Notes:

1. (L) represents long position.
2. These Shares are held by Assyria Babylon Investment Co., Ltd which is 100% beneficially owned by Mr. Zhuo You, and therefore, Mr. Zhuo You is deemed to be interested in all these Shares under the SFO.
3. Based on a total of 1,090,335,000 Shares in issue as at 31 December 2021.

(2) Long positions in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name of Director	Name of Associated Corporation	Nature of Interest	Amount of Registered Capital	Percentage of the Total Registered Capital
Zhuo You	Wuzhong Jiaye	Beneficial owner	RMB57,000,000 (L)	6%
	Hengyue Consulting	Beneficial owner	RMB12,000,000 (L)	6%

Note:

1. (L) represents long position.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares *(Note 7)*
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000 (L)	23.85%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000 (L) *(Note 2)*	29.81%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000 (L)	7.75%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000 (L) *(Note 3)*	7.75%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000 (L)	6.56%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000 (L) *(Note 4)*	6.56%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Chen Yannan	Beneficial owner	Ordinary Shares	1,200,000 (L)	0.11%
	Interest in controlled corporation	Ordinary Shares	65,000,000 (L) *(Note 5)*	5.96%

Notes:

1. (L) represents long position.

2. These Shares represent the 260,000,000 Shares held by Xiaolai Investment Co., Ltd and 65,000,000 Shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the Shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.

3. These Shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these Shares under the SFO.

4. These Shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these Shares under the SFO.

5. These Shares are held by Southern Swan Investment Co., Ltd which is 100% beneficially owned by Mr. Chen Yannan, and therefore, Mr. Chen Yannan is deemed to be interested in all these Shares under the SFO.

6. Based on a total of 1,090,335,000 Shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Save as disclosed above, as at 31 December 2021, none of the Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 26 May 2014, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The principal terms of the Share Option Scheme, which shall be valid and effective for 10 years from its adoption date and, are summarized below.

Purpose

The purpose of the Share Option Scheme is to incentivize and reward the eligible participants for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

Eligible participants

Pursuant to the Share Option Scheme, the Board may offer any employee (whether full-time or part-time) or a director of the Group options to subscribe for shares of the Company.

Total number of Shares available for issue under the Share Option Scheme

As at 31 December 2021, a total of 50,000,000 share options were granted, of which 15,098,000 have been exercised. As at 12 September 2021, all remaining options have been lapsed. As at 31 December 2021, there is no remaining options.

(a) 10% limit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the Share Option Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the refreshed limit.

The Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit to any eligible persons specifically identified by the Board.

(b) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time.

Maximum entitlement of each eligible person

No option shall be granted to any eligible person under the Share Option Scheme which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an eligible person in excess of the 1% limit as mentioned above shall be subject to the approval of the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) abstaining from voting.

Exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be not less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

(b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the 5 trading days immediately preceding the date of offer of grant; and

(c) the nominal value of the Shares.

Performance targets and minimum period for which an option must be held

The Board may, when making an offer of the grant of an option, impose and specify in the offer letter any terms and conditions as it may at its absolute discretion think fit, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

Amount payable upon acceptance of option

HK$1.00 is payable by each eligible person to the Company on acceptance of an offer of option.

On 13 September 2016, the Board considered and approved the grant of 50,000,000 share options to certain eligible persons under the Share Option Scheme. The options granted to each of the grantees under the Share Option Scheme shall be vested and become exercisable upon the first or second anniversary of the date of grant (i.e. 13 September 2016 or 13 September 2017). Vested options shall be exercisable until the expiry of the five-year period from the date of grant (i.e. until 12 September 2021). Grantees of such options are entitled to exercise the options at an exercise price of HK$0.62 per Share. For more details, please refer to the announcement of the Company dated 13 September 2016.

Remaining life of the Share Option Scheme

The Share Option Scheme will expire on 25 May 2024 and no further share options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect necessary to give effect to the exercise of any share options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Name or category of participants	No. of Shares involved in the options outstanding as at 1 January 2021	Granted during 2021	Exercised during the year	Cancelled/ Lapsed/ Forfeited during the year	No. of Shares involved in the options outstanding as at 31 December 2021
Directors					
Wu Min	1,965,000	—	—	1,965,000	0
Zhang Changsong	1,572,000	—	—	1,572,000	0
Zhuo You	791,000	—	—	791,000	0
Zhang Cheng	791,000	—	—	791,000	0
Zhang Shu	491,000	—	—	491,000	0
Feng Ke	982,000	—	982,000	—	0
Tse Yat Hong	1,582,000	—	1,582,000	—	0
Subtotal	8,174,000	—	2,564,000	5,610,000	0
Employees					
Employees	18,077,000	—	2,000	18,075,000	0
Total	26,251,000	—	2,566,000	23,685,000	0

Notes:

1. The closing price of the Shares preceding the date on which the share options were granted was HK$0.59.

2. The vesting of all share options granted to the eligible persons is conditional upon the achievement of certain performance targets by the relevant individual grantees and/or the Group as set out in their respective offer letters.

3. On 16 June 2014, the Company granted 50,000 thousand share options to directors and selected employees with an exercise price of HK$1.4 as incentives or rewards for their contribution or potential contribution to the Group.

   In 2015, the Group did not achieve the target profit, thus the share option plan was forfeited and the accumulated expense as at the end of 2015 was reversed.

   In 2016, the Company granted 50,000 thousand share options to directors and selected employees with an exercise price of HK$0.62 as incentives or rewards for their contribution or potential contribution to the Group.

   The weighted average fair value of options are determined by Black-Scholes model. Such value is subject to a number of assumptions and with regard to the limitation of the model.

4. The date of grant of the above share options is 13 September 2016 and the exercise price of the above share options is HK$0.62 per Share.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year.

MAJOR CUSTOMERS

For the year ended 31 December 2021, the largest customer contributed 10.0% of the Group's total interest income from loans to customers, and the five largest customers contributed, in aggregate, 23.0% of the Group's total interest income from loans to customers.

None of the Directors, any of their close associates or any Shareholders which, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

EMOLUMENT POLICY

The Company is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees and makes contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing fund for its employees. The Remuneration Committee is set up for reviewing the Group's emolument policy and remuneration package of the Directors and chief executive of the Group, having regard to the Group's overall operating results, individual performance and comparable market practices.

The details of the emoluments payable to the Directors during the Reporting Year are set out in Note 46 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the details of the emoluments payable to the members of the senior management during the Reporting Year fell within the following bands:

Remuneration bands	Number of individuals
HK$0 to 1,000,000	2
HK$1,000,001 to 1,500,000	1

None of the Directors waived any emoluments during the year ended 31 December 2021. The Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and retained earnings amounted to approximately RMB1,006,282 thousand.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2021 are set out in Note 39 to the consolidated financial statements.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Other than as disclosed above, during the year ended 31 December 2021, none of the Company, or any of its subsidiaries, was a party to any arrangement to enable the Directors to have any right to subscribe for securities of the Company or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group as are required to be disclosed pursuant to the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of Mr. Zhu Tianxiao, Xilai Investment Co., Ltd and Xiaolai Investment Co. Ltd. (the "Covenantors"), each being a controlling shareholder of the Company, has entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company on 6 October 2013, pursuant to which each of the Covenantors has unconditionally, irrevocably and severally undertaken with the Group that they shall not, and shall procure that their respective members shall not, (except through the Group) directly or indirectly carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the Prospectus.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2021.

TAX RELIEF AND EXEMPTION

The Board is not aware of any tax relief available to shareholders of the Company by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in Note 43 to the financial statements. Some of these transactions also constituted fully exempted continuing connected transactions under Chapter 14A of the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

On 2 July 2021, Huifang Tongda, Wuzhong Gaoxin, Dongfang Investment and Wuzhong Investment, entered into an agreement, pursuant to which the above mentioned parties agreed to further increase the registered capital of Huida Factoring.

In particular, Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment agreed to contribute RMB30 million, RMB10 million and RMB10 million, respectively, in proportion to their respective shareholding in Huida Factoring. Wuzhong Investment agreed to contribute RMB20 million as an incoming shareholder of Huida Factoring. Upon completion of the capital increase, the total amount of capital contribution made by the Company to Huida Factoring through Huifang Tongda would become RMB90 million. As a result of the capital increase, the Company's shareholding in Huida Factoring will decrease from 60.00% to 52.94%. Therefore, the capital increase contemplated under the agreement constitutes a deemed disposal of approximately 7.06% of the Company's equity interest in Huida Factoring.

Huida Factoring, being an indirect non wholly-owned subsidiary of the Company, is owned as to 60%, 20% and 20% by Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment, respectively. Therefore, Wuzhong Gaoxin and Dongfang Investment are substantial shareholders of Huida Factoring, and hence connected persons of the Company. Accordingly, the capital increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

For further details of the above-mentioned transactions, please refer to the announcement of the Company dated 2 July 2021.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. The Company has followed the policies and guidelines set out in the relevant guidance letters published by the Stock Exchange when determining the price and terms of the transactions conducted during the Reporting Year.

Reference is made to the Prospectus. The short-term secured financing business in which the Group is engaging is a regulated business in the PRC and according to the relevant governmental policy. The Company, as a foreign investor, would not be granted the necessary approval to conduct and invest in the pawn loan business in the PRC. As a result, the Group, through an indirect wholly-owned subsidiary of the Company, Huifang Tongda, has entered into a series of contractual arrangements (the "Contractual Arrangements") with the PRC Operating Entity, which possess the necessary licences for the operation of the Group's short-term secured financing business in the PRC, such that the Group can conduct its business operations indirectly in the PRC through the PRC Operating Entity while complying with applicable PRC laws and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of the PRC Operating Entity and, to the extent permitted by the PRC laws and regulations, the right to acquire the equity interests in and/or the assets of the PRC Operating Entity. Further, pursuant to the Contractual Arrangements, all economic benefits derived from the operation of the PRC Operating Entity are enjoyed by the Group and the financial results of the PRC Operating Entity are consolidated into the Group as if it were a wholly-owned subsidiary. For the year ended 31 December 2021, profit for the year totalling approximately RMB8.39 million and net assets totalling approximately RMB1,264.7 million of the PRC Operating Entity were consolidated into the consolidated financial statements of the Group via the Contractual Arrangements.

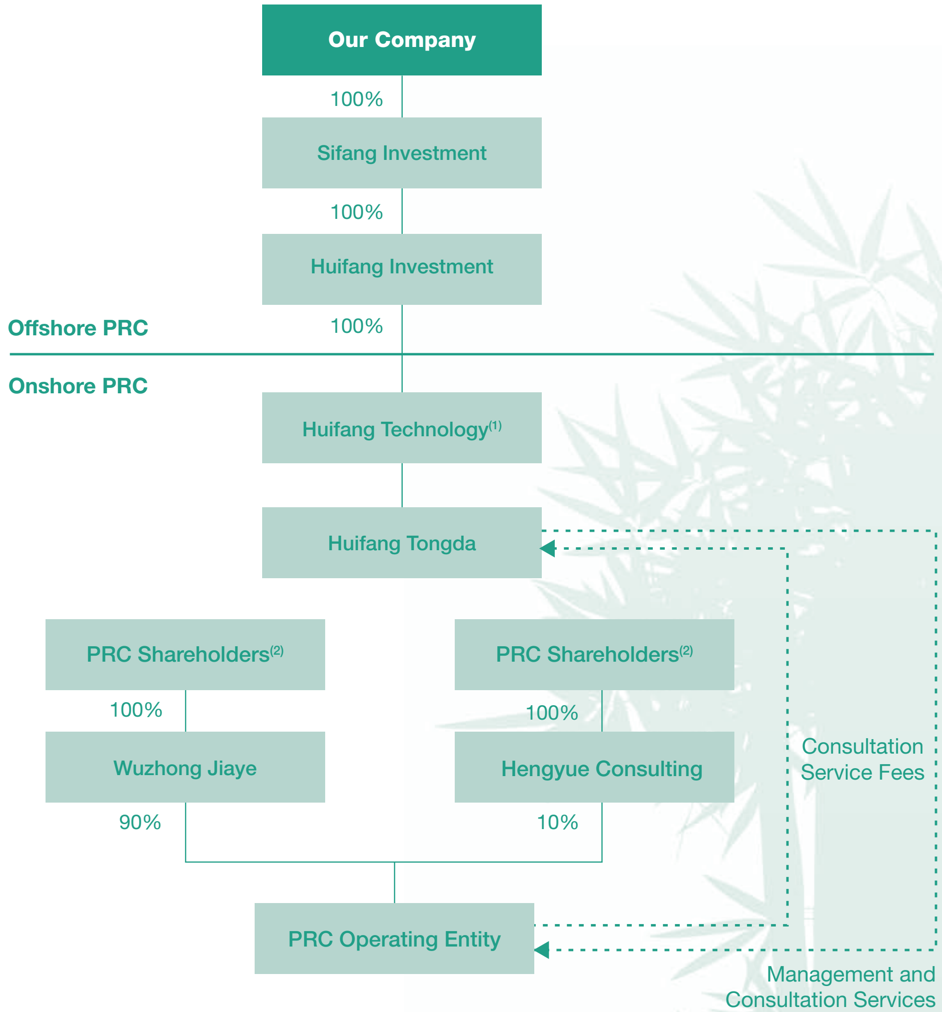
The Contractual Arrangements currently in effect comprise the following agreements, namely (a) the Exclusive Management and Consultation Service Agreement (as supplemented by the Supplemental Agreement to the Exclusive Management and Consultation Service Agreement), (b) the Exclusive Call Option Agreement, (c) the Proxy Agreement, (d) the Equity Pledge Agreement (as amended by the amended Equity Pledge Agreement), (e) the VIE Transfer Agreement, and (f) the PRC Shareholders Loan Agreement, which were entered into between, among others, the PRC Operating Entity, Huifang Tongda, Mr. Zhu Tianxiao ("Mr. Zhu"), Mr. Chen Yannan ("Mr. Chen") and/or Mr. Zhuo You ("Mr. Zhuo") (as the case may be). A summary of the aforementioned agreements are set out below.

Mr. Zhu, through two companies wholly owned by him, namely Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd, holds approximately 29.81% of equity interest in the Company and accordingly, he is a controlling shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Zhuo, being a Director, is also connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Chen ceased to be a connected person of the Company since his resignation of an executive Director with effect from 28 May 2018.

The PRC Operating Entity is owned indirectly as to 50% by Mr. Zhu and therefore, is an associate of Mr. Zhu. As a result, the PRC Operating Entity is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, Mr. Zhu and Mr. Zhuo are parties to some agreements under the Contractual Arrangements. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing.

CONTRACTUAL ARRANGEMENTS

The following diagram sets out the simplified structure of the Group as of 31 December 2021 and illustrates the Contractual Arrangements between the PRC Operating Entity and Huifang Tongda:



Notes:

(1) The former name is Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司) and the change of name was effected on 12 December 2013.

(2) The PRC Shareholders are Mr. Zhu Tianxiao (50%), Zhang Xiangrong (13%), Ge Jian (11%), Mr. Chen Yannan (10%), Wei Xingfa (4%), Yang Wuguang (6%) and Mr. Zhuo You (6%).

SUMMARY OF THE AGREEMENTS UNDER THE CONTRACTUAL ARRANGEMENTS

(a) Exclusive Management and Consultation Service Agreement

On 31 December 2011, Huifang Technology and the PRC Operating Entity entered into an exclusive management and consultation service agreement, as subsequently supplemented by the Supplemental Agreement (as defined below) (the "Exclusive Management and Consultation Service Agreement"), pursuant to which the PRC Operating Entity has agreed to engage Huifang Technology on an exclusive basis to provide consultation and other ancillary services, including without limitation enterprise management, market development and consultancy services. Pursuant to the Exclusive Management and Consultation Service Agreement, the PRC Operating Entity may not, among other restrictions or obligations, engage any other third party to provide similar services without the prior written consent of Huifang Technology.

In consideration for the provision of such services by Huifang Technology, the PRC Operating Entity has agreed to recognise consultation service fees payable to Huifang Technology on a quarterly basis. The consultation service fees will be billed by Huifang Technology to the PRC Operating Entity and are equivalent to the total revenue before tax audited pursuant to the Hong Kong Financial Reporting Standards less all the related costs incurred and reasonable expenses of the PRC Operating Entity.

The term of the Exclusive Management and Consultation Service Agreement commenced on 31 December 2011 and will expire on 30 December 2031 and is renewable at the sole election of Huifang Technology for successive terms as determined by Huifang Technology, until termination by Huifang Technology.

On 29 February 2012, Huifang Technology transferred all its rights and obligations under the Exclusive Management and Consultation Service Agreement to Huifang Tongda, in accordance with the VIE Transfer Agreement as described in sub-paragraph (e) below.

On 21 November 2012, Huifang Tongda and the PRC Operating Entity entered into a supplemental agreement to the Exclusive Management and Consultation Service Agreement (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the consultation service fees, as the consideration for the provision of the service by Huifang Tongda, shall be equivalent to the total revenue before tax less all the related costs and expenses reasonably incurred by the PRC Operating Entity, provided that, Huifang Tongda may decide, for the purpose of operations and business expansion of the PRC Operating Entity, the actual amount of the service fees. The Supplemental Agreement is deemed to have retrospectively become effective on 1 July 2012. The Supplemental Agreement was entered into for the purpose of maintaining a certain level of net assets and net profits for the PRC Operating Entity, which will affect the amount of loans the PRC Operating Entity can grant and its ability to open a branch pursuant to the applicable regulations of the PRC, and to grant Huifang Tongda a right to decide the amount of the service fees charged on the PRC Operating Entity according to the PRC Operating Entity's operational needs and future business expansion. Pursuant to the Supplemental Agreement, it is Huifang Tongda's right to decide whether to change the amount of the service fees charged on the PRC Operating Entity, and pursuant to the Exclusive Call Option Agreement (as defined hereinafter), Huifang Tongda has been irrevocably and unconditionally granted an option to acquire the entire equity interest in the PRC Operating Entity and/or all assets of the PRC Operating Entity. Any profits not paid to Huifang Tongda in the form of consultation service fees may be acquired by Huifang Tongda when it exercises its option under the Exclusive Call Option Agreement. As a result, our ability to receive the entire economic benefits of the PRC Operating Entity as provided by the Contractual Arrangements is not affected by the Supplemental Agreement.

(b) Exclusive Call Option Agreement

On 31 December 2011, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into an exclusive call option agreement (the "Exclusive Call Option Agreement") pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Technology an option to acquire, directly and/or through one or more nominees, the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the PRC Operating Entity and/or all assets of the PRC Operating Entity at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations. If the PRC laws and regulations are silent in this regard, the price will be set at the nominal price agreed by the parties thereto. The PRC Operating Entity and the PRC Shareholders also agreed to the option granted to Huifang Technology. Subject to compliance with applicable PRC laws and regulations, Huifang Technology may exercise the option at any time, and acquire all or part of the equity interests and/or assets of the PRC Operating Entity in any manner in its sole discretion. In addition, Huifang Technology has undertaken to exercise the option and unwind the Contractual Arrangements as soon as applicable PRC laws and regulations allow our short-term secured financing business to be directly operated by Huifang Technology in China.

Pursuant to the Exclusive Call Option Agreement, the PRC Operating Entity may not, without the prior written consent of Huifang Technology, declare or distribute any dividends to its shareholders. Wuzhong Jiaye and Hengyue Consulting shall procure the PRC Operating Entity and the PRC Shareholders shall procure Wuzhong Jiaye and Hengyue Consulting, not to declare or distribute such dividends. In addition, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang Technology and/or to one or more nominees any and all of dividend declared and distributed at any time or any interest payable to them by virtue of their holding of the equity interest in the PRC Operating Entity. Furthermore, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang Technology and/or to one or more nominees any and all of proceeds or consideration received from the sales or disposal of the equity interest held in the PRC Operating Entity, and all of any appropriation of assets upon termination or liquidation of the PRC Operating Entity.

The Exclusive Call Option Agreement became effective on 31 December 2011 and will expire on the date on which all the equity interests or assets of the PRC Operating Entity are transferred to Huifang Technology and/or one or more nominees as contemplated under the Exclusive Call Option Agreement.

(c) Proxy Agreement

On 31 December 2011, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a proxy agreement (the "Proxy Agreement") whereby Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally undertook to authorise Huifang Technology or the directors and their associates as authorised by Huifang Technology to exercise their shareholders' rights under the articles of association of the PRC Operating Entity and applicable PRC laws and regulations. Such shareholders' rights include but are not limited to (i) convening and attending the shareholders' meetings of the PRC Operating Entity pursuant to its articles of association; (ii) exercising voting rights on all matters requiring shareholders' consideration and approval, including but not limited to the nomination and removal of all the directors and/or chief executive members of the PRC Operating Entity whose appointment and removal is to be determined by the shareholders; (iii) passing resolutions on the disposal of the assets of the PRC Operating Entity; (iv) passing resolutions on the dissolution and liquidation of the PRC Operating Entity, forming a Liquidation Committee and exercising the rights and powers of the Committee, including but not limited to dealing with the assets of the PRC Operating Entity; (v) signing any and all shareholders resolutions; (vi) filing all the relevant documents with the relevant companies registry; and (vii) all other shareholders' voting rights under the articles of association of the PRC Operating Entity and/or applicable PRC laws and regulations.

Pursuant to the Proxy Agreement, Huifang Technology may exercise such shareholders' rights without the prior consultation with Wuzhong Jiaye, Hengyue Consulting or the PRC Shareholders. Wuzhong Jiaye, Hengyue Consulting as well as the PRC Shareholders shall not exercise such shareholders' rights without the prior written consent of Huifang Technology.

The Proxy Agreement became effective on 31 December 2011 and will expire on 30 December 2031 and is renewable at the election of Huifang Technology for successive terms as determined by Huifang Technology. The Proxy Agreement will expire upon the termination by Huifang Technology or until the date on which all the equity interest in the PRC Operating Entity are transferred to Huifang Technology and/or its nominees as contemplated under the Exclusive Call Option Agreement.

(d) Equity Pledge Agreement

On 31 December 2011, Huifang Technology and the PRC Shareholders entered into an equity pledge agreement with Wuzhong Jiaye and Hengyue Consulting, respectively, as subsequently amended as described below (collectively, the "Equity Pledge Agreement"), pursuant to which the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Technology for guaranteeing the performance of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement and the Proxy Agreement.

Pursuant to the Equity Pledge Agreement, Huifang Technology is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and/or the Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Technology.

The Equity Pledge Agreement became effective on the date of its execution by all relevant parties (subject to the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed) and shall terminate upon the performance by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) in full of all obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement, the Equity Pledge Agreement or the repayment of all losses arising from the breach of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement.

On 29 February 2012, Huifang Technology transferred all its rights and obligations under the Equity Pledge Agreement to Huifang Tongda in accordance with the VIE Transfer Agreement as described in sub-paragraph (e) below for further information of the VIE Transfer Agreement.

On 22 May 2013, Huifang Tongda, as the transferee of all the rights and obligations of Huifang Technology under the Equity Pledge Agreement, amended the Equity Pledge Agreement with the PRC Shareholders and each of Wuzhong Jiaye and Hengyue Consulting respectively. Pursuant to the amended Equity Pledge Agreement, the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda as a guarantee to the performance of the PRC Shareholders Loan Agreement (as defined hereinafter), in addition to the performance of the Exclusive Management and Consultation Service Agreement (as described in details above), in addition to the Exclusive Call Option Agreement and the Proxy Agreement which was covered by the Equity Pledge Agreement entered into on 31 December 2011 and transferred to Huifang Tongda on 29 February 2012 as described in the immediate preceding paragraph.

Pursuant to the amended Equity Pledge Agreement, Huifang Tongda is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Tongda.

The amended Equity Pledge Agreement became effective on 22 May 2013 upon execution by all relevant parties and the completion of the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed, and shall terminate upon the performance of all obligation in full or the repayment of all losses arising from the breach by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) under the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement.

In addition, as the shareholders of the PRC Operating Entity, Wuzhong Jiaye and Hengyue Consulting amended the articles of association of the PRC Operating Entity on 31 December 2011. According to the articles of association currently in effect, no shareholder may pledge any of its equity interest in the PRC Operating Entity to any party.

(e) VIE Transfer Agreement

On 29 February 2012, Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a transfer agreement of structural contracts (the "VIE Transfer Agreement") pursuant to which Huifang Technology has agreed to transfer all of its rights and obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement to Huifang Tongda. Accordingly, on the same date, Huifang Tongda entered into relevant new agreements with the respective parties to effectuate such transfer. The VIE Transfer Agreement and such new agreements became effective on 29 February 2012. After the transfer, Huifang Technology became an investment holding company with no substantive businesses and may serve as a platform for the Company to expand into various new business sectors.

(f) PRC Shareholders Loan Agreement

On 22 May 2013 Huifang Tongda, PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a loan agreement (the "PRC Shareholders Loan Agreement"), pursuant to which Huifang Tongda agreed to extend interest-free loans equivalent to an amount to be injected as registered capital into the PRC Operating Entity (the "Capital Contribution Amount") to the PRC Shareholders in accordance with the PRC laws and regulations. The PRC Shareholders will contribute the full amount of the Capital Contribution Amount to the registered capital of Wuzhong Jiaye and Hengyue Consulting, which will in turn contribute such loan proceeds to the PRC Operating Entity as registered capital. Under the PRC Shareholders Loan Agreement, Huifang Tongda may request, at any time in its absolute discretion and to the extent permitted by the PRC laws and regulations, the PRC Shareholders to repay the loan (i) by using the capital realized from Huifang Tongda's exercise of its rights under the Exclusive Call Option Agreement to purchase from Wuzhong Jiaye and Hengyue Consulting, the entire equity interests in the PRC Operating Entity and/or all assets of the PRC Operating Entity, followed with a capital reduction of Wuzhong Jiaye and Hengyue Consulting (as well as PRC Operating Entity, as applicable); or (ii) any other means as permitted by applicable PRC laws and regulations.

RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS

The following risks are associated with the Contractual Arrangements. Further details of the risks are set out on pages 36 to 44 of the Prospectus.

- imposing economic penalties;
- restricting our right to collect revenues;
- revoking the business licences and/or the licences or certificates of the PRC Operating Entity;

- discontinuing or restricting the operations of the PRC Operating Entity;
- imposing conditions or requirements in respect of the Contractual Arrangements with which we may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- voiding the Contractual Arrangements; and
- taking other regulatory or enforcement actions that could adversely affect our business.

MITIGATION ACTIONS TAKEN BY THE COMPANY

- The Company has existing protections measures under the Contractual Arrangements. The Company's Internal Control Department will regularly review the compliance and performance of such conditions under the Contractual Arrangements.
- The Company's legal department will deal with matters relating to compliance and regulatory enquiries from relevant PRC authorities and report to the Board on a regular basis.

During the Reporting Year, there had been no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

The Group has not terminated the Contractual Arrangements as the foreign investment restrictions that led to the adoption of the Contractual Arrangements have not been removed in the PRC.

A waiver has been granted by the Stock Exchange regarding strict compliance with (i) the applicable disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting a maximum aggregate annual value (i.e. annual cap) for the fees payable to Huifang Tongda under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the shares of the Company are listed on the Stock Exchange, subject to certain conditions as set out in the Prospectus. In addition, pursuant to the waiver granted by the Stock Exchange, the framework of the Contractual Arrangements may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group might wish to establish, without obtaining the approval of the independent non-executive Directors and the independent Shareholders, on substantially the same terms and conditions as the Contractual Arrangements.

The independent non-executive Directors of the Company have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the Reporting Year have been entered into in accordance with the relevant provisions of the Contractual Arrangements which had been entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group; and the terms are fair and reasonable and in the interests of the Shareholders as a whole; and have been operated so that the revenue generated by the PRC Operating Entity has been substantially retained by Huifang Tongda; (ii) no dividends or other distributions have been made by the PRC Operating Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Contractual Arrangements from the Listing Date till the end of the Reporting Year.

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transaction. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Listing Rule 14A.56 of the Listing Rules and confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2021 (a) have not received the approval of the Board and (b) were not entered into, in all material respects, in accordance with the relevant Contractual Arrangements.

A copy of the auditor's letter on the continuing connected transactions of the Group year ended 31 December 2021 has been provided by the Company to the Stock Exchange.

Save for the continuing connected transactions disclosed above and certain other connected transactions and continuing connected transactions which are exempted from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, during the Reporting Year, there were no other transactions which constituted connected transaction or continuing connected transactions that were subject to the reporting requirements under the Listing Rules.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITORS

The consolidated financial statements have been audited and agreed by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment. PricewaterhouseCoopers has been our auditor since the Listing of our Company.

By order of the Board

Wu Min
Chairman

Hong Kong, 25 March 2021

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the Reporting Year.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the principles and code provisions as set out in the CG Code throughout the Reporting Year, except for Code Provision C.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person. The details of deviation are set out in section headed "Chairman and Chief Executive Officer" below in this corporate governance report. On 18 October 2021, the Board appointed Mr. Qiu Wei as the chief executive officer of the Company, and the above deviation was eliminated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

The Company has also adopted the Model Code as written guidelines for securities transactions by the relevant employees (the "Employees Written Guidelines") who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board of the Company currently comprises the following Directors:

Executive Directors:
Mr. Wu Min *(Chairman)*
Mr. Zhang Changsong *(Chief Financial Officer)*

Non-executive Directors:
Mr. Zhuo You
Mr. Zhang Cheng
Ms. Zhang Shu
Mr. Ling Xiaoming

Independent Non-executive Directors:
Mr. Liang Jianhong
Mr. Feng Ke
Mr. Tse Yat Hong

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 29 to 33 of this annual report.

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) among each other.

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

From 1 January 2021 to 17 October 2021, Mr. Wu Min assumed the roles of both chairman and chief executive officer, the Company deviated from this code provision. The Board considered that this management structure was effective in terms of the formulation and implementation of the Company's strategies and the Company's operations. Notwithstanding the deviation, the Board was of the view that it was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders. The Board would review the management structure from time to time and the need to separate the roles of the chairman of the Board and the chief executive officer to two individuals.

In view of the above, the Board had an agenda to search for an appropriate candidate to take up the role of the chief executive officer from Mr. Wu Min. After all the relevant internal procedures, Mr. Qiu Wei was selected and appointed by a resolution duly passed by the Board as the chief executive officer of the Company in substitution of Mr. Wu Min on 18 October 2021. The appointment of Mr. Qiu Wei as the chief executive officer of the Company enables the due compliance by the Company with Code Provision C.2.1 of the CG Code from 18 October 2021 to 31 December 2021.

Save as disclosed above, during the Reporting Year, the Company has complied with the principles and code provisions as set out in the CG Code.

Independent Non-executive Directors

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than two months' written notice served by either the executive Directors or the Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment unless terminated by not less than two months' written notice served by either the relevant the non-executive Directors/independent non-executive Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with Article 84(1) and (2) of the Articles of Association, one-third of the Directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected as Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Zhuo You, Mr. Zhang Cheng, Mr. Zhang Changsong, and Ms. Zhang Shu will retire and Mr. Zhang Changsong and Ms. Zhang Shu being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Mr. Zhuo You and Mr. Zhang Cheng confirmed that they will not offer themselves for re-election at the forthcoming annual general meeting due to other business engagements which require more of their dedication.

None of Mr. Zhuo You, Mr. Zhang Cheng, Mr. Zhang Changsong, and Ms. Zhang Shu has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and chief executive. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2021 are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Wu Min	B
Zhang Changsong	B
Non-Executive Directors	
Zhuo You	B
Zhang Cheng	B
Zhang Shu	B
Ling Xiaoming	B
Independent Non-Executive Directors	
Zhang Huaqiao *(Note 1)*	B
Liang Jianhong *(Note 2)*	A&B
Feng Ke	B
Tse Yat Hong	A&B

Notes:

1. Mr. Zhang Huaqiao has retired as an Independent Non-Executive Directors with effect from 28 May 2021.

2. Mr. Liang Jianhong has been appointed as an Independent Non-Executive Directors with effect from 28 May 2021.

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee and Technology Finance Business Committee, for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

On 17 December 2021, Technology Finance Business Committee was dissolved and discharged. The functions and duties of Technology Finance Business Committee are taken over by the Board.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Year, the Audit Committee held 3 meetings for reviewing the annual results and report in respect of the year ended 31 December 2020 and the interim financial results and reports in respect of the period ended 30 June 2021 as well as the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee met the external auditors twice without during the Reporting Year.

The Audit Committee consists of three members, namely, Mr. Tse Yat Hong (chairman) and Mr. Feng Ke, our independent non-executive Directors, and Ms. Zhang Shu, our non-executive Director.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Reporting Year, the Remuneration Committee met twice for reviewing and making recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and other related matters.

The Remuneration Committee consists of three members, namely, Mr. Liang Jianhong (chairman) and Mr. Tse Yat Hong, our independent non-executive Directors, and Mr. Wu Min, our executive Director.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives (where appropriate) for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Year, the Nomination Committee met twice for reviewing the structure, size and composition of the Board, and to consider the qualifications of the retiring directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The nomination committee consists of three members, namely, Mr. Wu Min (chairman), our executive Director, and Mr. Feng Ke and Mr. Liang Jianhong, our independent non-executive Directors.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Technology Finance Business Committee

The primary duties of the Technology Finance Business Committee include formulating and developing strategies for the Group's financial technology issue ("Technology Finance Business"), such as supply chain finance, providing funding using financial technologies and carrying out block chain and big data analysis business and making recommendations to the Board; overseeing the implementation of the Technology Finance Business of the Group and evaluating the performance and efficiency of the Technology Finance Business; and considering the other matters as defined by the Board.

The Technology Finance Business Committee consists of three members, namely, Mr. Feng Ke (chairman), our independent non-executive Director, and Mr. Wu Min and Mr. Zhang Changsong, our executive Directors.

During the Reporting Year, the Technology Finance Business Committee met once for reviewing and making recommendations to the Board on the strategies of the Technology Finance Business.

Technology Finance Business Committee has been dissolved and discharged with effect from 17 December 2021.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting Year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the Reporting Year, the Company held six Board meetings, three Audit Committee meetings, two Remuneration Committee meetings, two Nomination Committee meetings, one Technology Finance Business Committee meeting and one general meeting.

The attendance record of each Director at the Board and Board committee meetings of the Company and general meeting of the Company held during the Reporting Year is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Technology Finance Business Committee	Annual General Meeting
Wu Min	6/6		2/2	2/2	1/1	1/1
Zhang Changsong	6/6				1/1	1/1
Zhuo You	4/6					1/1
Zhang Cheng	4/6					0/1
Zhang Shu	6/6	3/3				1/1
Ling Xiaoming	6/6					1/1
Zhang Huaqiao *(Note 1)*	1/1		1/1	1/1		0/1
Liang Jianhong *(Note 2)*	5/5		1/1	1/1		N/A
Feng Ke	6/6	3/3		2/2	1/1	0/1
Tse Yat Hong	6/6	3/3	2/2			0/1

Notes:

1. Mr. Zhang Huaqiao has resigned as an Independent Non-Executive Directors with effect from 28 May 2021.

2. Mr. Liang Jianhong has been appointed as an Independent Non-Executive Directors with effect from 28 May 2021

Apart from regular Board meetings, the Chairman also held one meeting with independent non-executive Directors without the presence of other Directors during the Reporting Year.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The management assesses the effectiveness of the risk management and internal control system annually and reports to the Audit Committee and the Board on any deficiency of internal control identified and propose solutions.

The management has reviewed and confirmed to the Board and the Audit Committee on the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2021. The Board believed that its risk management and internal control system was effective and adequate.

Details of the Company's risk management and internal control as at 31 December 2021 are set out in the section headed "Risk Management and Internal Control Report" on pages 70 to 75 of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 86 to 92.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors in respect of audit services for the year ended 31 December 2021 amounted to RMB3,000 thousand. No non-audit services has been provided by the Company's external auditors to the Company.

JOINT COMPANY SECRETARIES

Mr. Chai Kun and Ms. Leung Ching Ching of Tricor Services Limited, an external service provider, are the joint company secretaries of the Company. The primary contact person of Ms. Leung Ching Ching is Mr. Chai Kun.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

For the year ended 31 December 2021, Ms. Leung Ching Ching and Mr. Chai Kun have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. Pursuant to the Listing Rules, all resolutions put forward at general meetings will be voted on by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting may be convened by the Board upon requisition of one or more Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of the deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, while all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the joint company secretaries or the primary contact person of the Company.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward proposal at general meetings may deposit a requisition for convening an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their requisitions, proposed resolutions for the general meeting or enquiries to the Board as mentioned above to the primary contact person of the Company as set out below:

Name: Wu Min (吳敏)

Address: 9th Floor, Building A, No. 288 Yingchun Road, Wuzhong District, Suzhou, Jiangsu Province, PRC

Fax: 86-512-65131585

Email: cnhuirong@wuzhong.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board as well as chairman of Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

During the Reporting Year, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at http://www.cnhuirong.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends pursuant to code provision F.1.1 of the CG Code that has become effective from 1 January 2019. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company do not have any pre-determined dividend payout ratio.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the memorandum and articles of the association of the Company and all applicable laws and regulations and the factors set out below. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate. Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's memorandum and articles of association.

The Board will review the Dividend Policy as appropriate from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

China Huirong Financial Holdings Limited ("Company") is a group of companies engaged in pawn, small loans, turnover loans, factoring, insurance brokerage business and investment in mainland China. The Company is committed to providing the small-and-medium-size companies and individuals with diversified and innovative financial products. Its vision is to become the leading comprehensive financial service provider in China who serves small-and-medium-size companies and individuals.

All business in the Company involves one or more risks in analysis, measurement, evaluation, commitment and management to a certain extent. The major risk types confronted by the Company are credit risk, liquidity and financing risk, market risk and operational risk. The company has established relatively sound risk management system and internal control, feedback system, and will make adjustments according to the economic environment and industry development, to ensure that it will achieve reasonable income while maintaining the risks within control.

1. RISK MANAGEMENT

The Company publishes risk management report on an annual basis, reviewing and evaluating the major risk types faced by the Company during the year and the operation of the risk management system, as well as revising the risk management guidelines for the coming year, to ensure balancing between the Company's earnings and risks.

Risks	Sources	Control and management risks
(1) Credit risk Financial loss risk arises when customers and counterparties default on contractual obligations.	Credit risk is mainly attributable to direct loans.	Potential amount of the loss will be measured when customers and counterparties default on payment. The loss will be capped and monitored and subject to approval from persons designated in the organizational framework. When customers and counterparties default on their contractual obligations, potential risks and losses suffered from by the Company will be no more than the caps. Risk management will be implemented by the risk management personnel in compliance with a consistent and sound risk control framework with policies, principles and guidelines specified clearly.
(2) Liquidity risk and financing risk Such risk will occur when the Company is unable to perform its obligations when due as a result of inadequate financial resource or performance of such obligations requires additional cost.	Liquidity risk arises from the time mismatch of cash flow. Financing risk occurs when liquidity could not be obtained with expected terms when necessary to fund the illiquid assets.	It will be measured with internal measurement standards including the stressed operating cash flow forecast, coverage ratio and the loan to core capital ratio and will be monitored by the audit committee of the Company in accordance with the liquidity and financing risk management framework in place.

Risks	Sources	Control and management risks
(3) Market risk		
The risk arises from the change in market conditions such as exchange rates, credit spreads and share prices which may result in a decrease in the Company's income or the value of its investment portfolios.	Market risk is mainly attributable to deposits held by the Company in foreign currencies, assets and liabilities of the Company's lending services business as well as held-for-trading financial investments.	The risk will be measured based on its estimated loss and applied to estimate the potential loss of the risk exposure generated by the change of market interest rates and prices during a designated period in a specific credibility. Then it will be subject to stress test to assess its potential impact on the value of portfolios if something extreme but possible happens. Various monitoring measures are taken including the sensitivity of net interest income and the Company will manage such risk with approved risk limits.
(4) Operational risk		
Such risk occurs when losses are incurred as a result of insufficient and ineffective internal procedures, human resources and systems or external events.	Operational risk is generated during daily operations or from external events and is relevant to all aspects of the Company's business.	Condition analysis procedures and risk and control assessment procedures will be applied to evaluate the risk level and effectiveness of the controlling. The risk will be monitored with key indicators and other internal control activities. Management of the risk will be mainly conducted by business and department managers who identify, assess, monitor and manage such risk as well as evaluating the effectiveness of the operational risk management framework in effect. The risk and audit department is responsible for such framework and the supervision of the operational risk management conducted in such business and departments.

The Company has established risk management policy procedures to identify and analyse risks, determine appropriate risk limits, and monitor and control all kinds of risks with its reliable and timely information management system. The risk management frameworks/policies, statement of risk exposure level and major limits of risk control are subject to approval from the Board and will be monitored and reviewed by the Directors regularly. The Company has set up efficient risk management frameworks and accountability mechanism and arranged for appropriate supervision and control on risks of all types and in every level across the Company, with an aim to ensure the effectiveness of its risk management.

The Board will assume ultimate responsibility for the statement of risk exposure level and the effectiveness of risk management of the Company. The audit committee is responsible for reviewing the statement of risk exposure level and consistency of the mid-to-long-term strategies and advises and reports to the Board with respect to the risk management, internal control and high level risk related matter.

The Audit Committee is in charge of constantly monitoring, assessing and managing the risk environment and the effectiveness of risk management policies. The director of risk control will report to the Board on the actual risk exposure of the Company regularly as well as relevant deviations and management improvements required to be made.

(1) Credit Risk

Credit risk refers to financial loss risk arising from customers' or counterparties' default on their contractual obligations. Credit risk is mainly attributable to direct loans. The Company has specified standards, policies and procedures to control and monitor credit risks in all relevant business.

In terms of the Company's customers, they are mostly small, medium and micro enterprises, business owners or individuals with less diversified business models and weak capability for business transformation, and they tend to struggle hardly in economic downturns as they are at the grass-root level of the industry chain. However, as we have paid more attention to the form of security and diversification of credit assets since 2016, the increase in the non-performing credit assets of the Company was effectively controlled. Although most of the credit assets were secured or guaranteed, they directly drive down the Company's income and profits as litigation and disposal of such assets require prolonged time and lower interest income can be generated during such disposal.

Designated functions shall be reported to the director of risk control and credit risk is under centralized management with the following work conducted:

— Establish approval procedures, monitoring procedures after granting loans and policies of collection and for large loans;

— Publish guidelines for loans granted to specific markets, industries and products as well as acceptable facilities, mitigation risk and evaluation parameters for specific collaterals;

— Set up limits to monitor credit risks of industries, counterparties and loan portfolio types, etc.;

— Maintain and develop credit risk/credit rating systems to categorise risks for management purposes;

— Inform senior management and all committees of credit information of the Company;

— Actively manage and develop the credit system; and

— Advise the business departments on relevant loans and provide them with guidelines in this regard.

Management and Collection of Impaired Loans

The Company will continuously analyse and monitor its loans from different aspects. It pays much attention to doubtful loans and makes provisions for the impaired loans in a timely and consistent manner according to designated guidelines. It will also form a loan collection team to render comprehensive support to the customer, with an aim to maximize the recoverability of the doubtful debts. The management will review loan portfolios in detail on a regular basis, compare the performance and overdue statistics of the portfolios with past trends and assess the recent economic environment to identify if there is any impaired loan requiring appropriate provisions.

Collaterals and Other Loan Improvement Conditions

Although collateral is an important tool for mitigating credit risk, the Company grants loans based on the customers' cash flow and solvency instead of value of collaterals. It is the Company's policy to cap the loan based on customers' solvency rather than undue reliance on collaterals. In certain circumstances, the loan may be unsecured, depending on the customers' financial position and product types. Major types of collaterals are personal/commercial properties, securities and trade receivables, etc.

The Company has organized professional teams comprised of risk management professionals and lawyers to manage its collaterals.

Concentration of Credit Risk

Counterparties of the Company are mainly located in Suzhou where the economy is well developed, indicating high regional concentration and that it will be influenced by regional economy more easily. The Company is dedicated to expand its business into surrounding regions and has developed new products such as "Yin Qiao Dai" (銀橋貸), "Rong ZhengTong" (融證通), "Shu Lou Dai" (贖樓貸) and automobile financial leasing in 2016 which are highly standardized and can be used across regions. With development of the new business, risk concentration will be reduced gradually.

(2) Liquidity and Financing Risk

Under policies and regulations, the Company mainly grants loans funding form its proprietary capital and bank borrowings which are pledged by deposits. According to the liquidity information of the Company in the year end, the Company is fully capable of repaying all bank borrowings and Suzhou Qian Dai borrowings.

Assets in the Company bearing no interest are mainly bad credit assets to be disposed of and will not have adverse effects on the liquidity. They will be realized gradually upon conclusion of litigations and completion of the asset disposal and will contribute to our business growth.

(3) Market Risk

The Company regards market risk as one of the major risk it confronted.

As for the market interest rate, effective interest rate is reduced due to interest rate cut and larger money supply in the society, directly bringing down the interest rate of the Company in granting loans, which in turn has an impact on its performance. Although effective interest rate is reduced, the private sector lacks investment willingness due to its pessimistic forecast of the future and its investment growth decreases year by year, which indirectly undermines the profit attributable to loans granted to prime customers by the Company.

Since 2016, the Company has been working actively on improving its current situation, especially by actively developing ultra-short term loan business for enterprises and personal loan business, so as to minimize the impact brought by market risks. The ultra-short term loan business is designed as a channel for capital operation between banks and companies and is expected to generate considerable income free from market risks by closely communicating with banks and companies and making it convenient for companies to obtain loans and raise funds. The personal loan business, which mainly refers to "Shu Lou Dai" (贖樓貸) business, provides funding services for vendors to release their property mortgage with banks. As purchase and sale agreement has been entered into, the source of repayment is certain, thus it is generally free from market risks.

(4) Operational Risk

The Company has marketing department, risk management department, loan center and audit department, which are clearly separate and independent from each other without hierarchical relationship.

The market department is responsible for collection of customers' information and preparation of project reports; the risk management department reviews such project reports, issues risk opinion and formulates conditions precedent for granting loans; the loan center reviews whether the customer fulfills such conditions precedent and grants loans; and the audit committee will review and audit the whole workflow.

The Company has operational departments independent to each other and its workflow has been practiced for years, which eliminates the risk arising from operation errors of its internal staffs and failure of systems.

Operation of the Company's products is generally standardized, and customer identification process and conditions for granting loans are well established and updated constantly in pace with environmental changes. The Company's risk management personnel are professionals with extensive risk management experience and can assess the customers' risks properly. The staffs in the Company's loan center are all seasoned financial management experts and can make accurate judgments on whether conditions for granting loans are fulfilled. Employees of the Company's audit department are specialists with profound financing, financial and auditing experience and can evaluate and cope with the external risks identified in the whole workflow.

The Company has maintained a sound operational system to effectively deal with the external operational risks.

2. INTERNAL CONTROL AND AUDIT

The Company has set up audit department which is in charge of the development, operation and audit of its internal control system and reports to the Board and the audit committee.

From a macro perspective, the audit department makes judgments on the market and environment, conducts audit with respect to the nature and level of the risks set by the Company in achieving its strategic goals and issues independent opinion to and advise the audit committee and the Board.

The audit department will carry out twice regular (in January and July) and several ad-hoc audit and supervision on the risk management system and internal control system of the Company every year, and will inform the management and the Board of the operational status of such systems timely. During the Reporting Year, the audit department has reviewed the risk management and internal systems.

The audit department is responsible for the operation of the internal control system and will monitor and review the business process during or after the course of such business. It can get access to the documents of the business at any time to review whether the process is conducted in compliance with requirements and has the right to enquire all participants involved in such business, to prepare for an independent audit report. If any problem is identified in the business process by the audit department, such process must be suspended and individuals who misconduct will be held accountable.

Disclosure of inside information of the Company is subject to management of the Board office and lawyers. The inside information will be identified by the Board office and confirmed by lawyers, who will then make a draft announcement thereon and the disclosure of which will be approved by the Board. The audit committee will also monitor the disclosure of such inside information and will conduct independent audit and advise on mandatory disclosure and voluntary disclosure. Inside information must be kept strictly confidential until an announcement is published in accordance with the requirements of the Listing Rules.

The management is required to assess the effectiveness of the risk management and internal control system annually and shall immediately report to the audit committee and the board on any deficiency of internal control identified and propose solutions.

For the financial year ended 31 December 2021, the Board believed that its risk management and internal control system was effective and adequate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is pleased to present the Environmental, Social and Governance Report for year ended 31 December 2021 (the "ESG Report") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") matters.

The Group puts the sustainable development of its business as the top priority of its long-term development goals, and incorporate climate-related issues and ESG elements into its long-term business strategic planning. As the most important leading role of the Group, the Board has the sole responsibility to oversee, manage and monitor the Group's environmental, social and governance issues and progress directly.

The Group has set short-term and long-term sustainable development vision and goals to achieve ongoing emission reduction according to governmental requirements of different countries and regions gradually. Relevant emission reduction targets and corresponding strategies are established and sustainable development factors have been incorporated into the Group's strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management approach, including reviewing the Group's ESG performance and adjusting corresponding action plans.

Looking ahead, the Board will continue to review and monitor the ESG performance of the Group and provide material, reliable, consistent and comparable ESG information to its stakeholders for making contributions to create a better environment.

THE ESG GOVERNANCE STRUCTURE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

REPORTING BASIS

The ESG Report is prepared in accordance to the ESG Reporting Guide set out by Appendix 27 of the Listing Rules. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide. Looking forward, the Group will continue to optimize and improve the disclosure of key performance indicators ("KPIs") which are considered material by the Group.

During its preparation, the Group adheres to the reporting principles of materiality, quantitative, balance and consistency by:

Materiality: Identifying material issues through key ESG factors. The Group has not yet conducted stakeholder engagement, and the Board will engage with stakeholders through various communication channels in the future if necessary.

Quantitative: Presenting information in a quantitative way, where feasible.

Balance: Reporting information in an objective and unbiased manner to ensure it reflects both the achievements and the challenges faced by the Group.

Consistency: Using consistent measurement methods to enable meaningful comparisons of the Group's ESG performance.

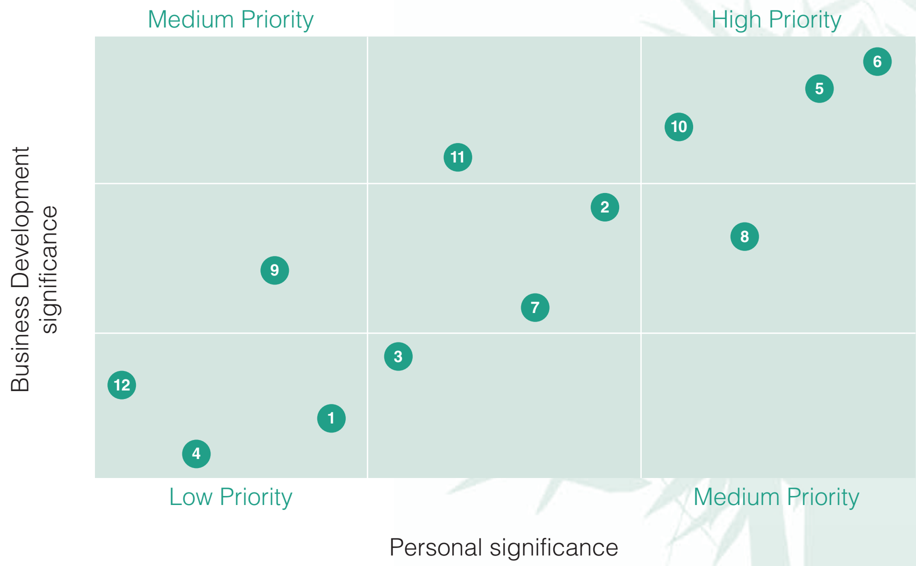
REPORTING SCOPE

This ESG Report covers major subsidiaries of the Group in the PRC and Hong Kong with core business that principally engaged in providing diversified financial services to customers all across the PRC and Hong Kong. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

MATERIALITY ASSESSMENT

The Board shoulders the responsibility to evaluate, prioritise and manage material ESG-related issues. The following materiality matrix displays the relative importance of each issue to the sustainable development of the Group.

ESG Materiality Assessment



1 Emissions
2 Use of Resources
3 Environment and natural resources
4 Climate change
5 Employment
6 Health and safety
7 Development and training
8 Labour guidelines
9 Supply chain management
10 Product liability
11 Anti-corruption
12 Community investment

1. ENVIRONMENTAL PROTECTION

The Company not only focuses on environmental protection in daily business, but also spreads the idea of environmental protection to customers, suppliers and other stakeholders. It is committed to diminishing harmful effects on the environment by day-to-day operations and actively getting involved in activities helpful to the environment. Meanwhile, the Company also undertakes social responsibility by virtue of investment and lending policies.

1.1 Emissions

Environmental Performance	Unit	2020	2021
Total waste gas emissions	ton	0	**0**
Total greenhouse gas emissions	ton	144.09	**171.34**
Direct emissions[1]	ton	67.23	**83.53**
Indirect emissions[2]	ton	76.86	**87.81**
Average total greenhouse gas emissions per a full-time employee	ton/full-time employee	1.03	**1.22**
Total greenhouse gas emissions/m^2	ton/m^2	0.03	**0.04**
Total sewage discharge to water	ton	0	**0**
Total sewage discharge to land	ton	0	**0**
Total hazardous waste generation	ton	0	**0**
Total non-hazardous waste generation	ton	32.71	**35.93**
General office wastes (recyclable)	ton	22.47	**24.57**
General office wastes (unrecyclable)	ton	9.89	**11.03**
Electronic products and devices	ton	0.35	**0.33**
Average total non-hazardous waste generation per a full-time employee	ton/full-time employee	0.23	**0.25**
Total non-hazardous waste generation/m^2	ton/m^2	0.01	**0.01**

Notes:

1. Direct emissions from vehicles that are owned by the Group

2. Indirect emissions from the generation of purchased electricity consumed by the Group

The above data include that of all business lines of the Company and figures are accurate to two decimal places.

The Company does not produce hazardous wastes as it does not deal with any industrial production activities. CO_2-dominated greenhouse gases produced by energy consumption and traffic are the Company's major emissions.

The Company advocates emission reduction, and is committed to achieving sustainable operations. To this end, the Company has set preliminary directional targets in terms of reducing greenhouse gas emissions. The Company has actively developed and executed environmental policies, including using less energy-consuming LED lights in specified areas and adopting high-speed rails as a main business tool to minimize the use of autos and airplanes for they consume more energy. In the future, we will set more specific quantitative environmental goals.

The Company produces no hazardous wastes. The major types of non-hazardous waste generated by our offices are paper, cardboard, office furniture and equipment, as well as domestic waste. To this end, we installed designated recycling bins to collect relevant waste, as well as several designated collection areas to receive waste containing confidential information. When electronic products and devices' lifespan is exhausted, they are disposed by professional harmless electronic products and equipment recyclers entrusted. The Company has set preliminary directional targets in terms of reducing the wastes. The Company views environment as an important factor, evaluates impacts of clients on the environment, and uses approval principles of strict admittance on heavy energy-consuming and highly polluted industries. It is customary for the Company to organize tree-planting activities. The Company calls off dishes on endangered species in banquet activities and promote environmental idea in communities to advance the transmission of low-carbon life and recycling. In the future, we will set more specific quantitative environmental goals.

As we do not run any factories, the environmental protection related law and regulations in China do not apply to our operations. During the Reporting Year, the Group did not involve in any matters that violate the environment-related laws and regulations.

1.2 Energy Consumption

Environmental Performance	Unit	2020	2021
Total energy consumption	GJ	509.60	**554.40**
Electricity	GJ	509.60	**554.40**
Average total energy consumption per a full-time employee	GJ	3.64	**3.93**
Total energy consumption/m^2	GJ/m^2	0.10	**0.12**
Total water consumption	mt	549	**573**
Total water consumption per a full-time employee	mt/full-time employee	3.92	**4.06**
Total consumption of other raw material			
Total paper consumption	ton	1.42	**1.43**

The Company has set preliminary directional targets in terms of promoting the energy efficiency. In order to reduce energy consumption, the Company piloted its office areas with light sources being decreased in quantity, weakened in intensity and lowered in energy consumption as well as imposing more strict use standard on both centralize air conditioners and high energy-consuming appliances. However, as the businesses of the Company develop across regions, the number of office premises increased, leading to an increase in the total energy consumption. In the future, we will set more specific quantitative environmental goals.

Our operation activities do not involve massive water usage. Our water consumption is mainly from daily office and life activities. Our water source is municipal water supply and we do not face any problem or risk in accessing sufficient water source. The Company has set preliminary directional targets in terms of promoting the water efficiency. In order to reduce water consumption, the Company installed water-saving devices in office areas and achieved some effects. However, as the businesses of the Company develop across regions, the number of office premises increased, leading to an increase in the total water consumption. In the future, we will set more specific quantitative environmental goals.

The Company used paper passing the authentication of FSC and specified that only wood pulp and/or 100% recycled paper with clear sources and not from high risk countries can be used. It also promoted informationize office and paperless office, contributing to a basic flat as compared to last year in total paper consumption.

1.3 The Environment and Natural Resources

The Company raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Company's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emissions" and "Use of Resource", the Company strives to minimise the impacts to the environment and natural resources. The principal business activities of the Company do not have a significant impact on the environment and natural resources during the Reporting Year.

1.4 Climate Change

Climate change is among the most pressing global challenges of our time. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences.

The industry in which the Group operates is less affected by climate change. In response to climate change, the Group actively implements measures such as energy conservation and emission reduction, and pursues green development.

Though climate change and extreme weather conditions do not directly impose significant threat to the Company's business operations, the effects of global climate change harm the wellbeing and stability of countries and people on earth. However, we will continue to monitor the climate-related risks and implement relevant measures to minimize the potential impact of climate change.

2. SOCIETY

The Company is socially responsible for employees and communities. It offers employees training and career development planning in a secure and good work environment. The Company respects intellectual property and customer privacy and has established and operated robust risk management system and internal monitoring system. Insisting on the social idea of not being evil, the Company seeks for harmony with the society through practical actions.

2.1 Employment and Labor Information

The Company ensures legitimate rights and interests of employees (include employment and dismissal) according to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and relevant provisions. With a complete compensation system and assessment system, it provides career planning for each employee and career promotion channels for employees who meet requirements of assessment. The Company has established the employee recruitment and promotion systems with reference to existing guidelines within or beyond this industry to offer employees equal opportunities and other rewards and benefits not below the industry average. The Company implements 8-hour working system and all employees are entitled to statutory holidays and paid annual leave. The Company resolutely opposes discrimination and guarantees an equal job environment open to moderate diversification.

During the Reporting Year, there was no incident of non-compliance with the relevant laws and regulations relating to employment and labour practices that have a significant impact on the Company.

Below is a detailed breakdown of our employees by gender, employment category, age group, and location as at 31 December 2021:

2021 Employee Information

	2021	
	Number of staff	% of total
Gender		
Male	80	56.7
Female	61	43.3
Total	141	100.0
Employment category		
Full time	141	100.0
Part time	0	0
Total	141	100.0
Age group		
20–35	77	54.6
36–45	36	25.5
46–55	28	19.9
56 or over	0	0
Total	141	100.0
Location		
China mainland	141	100.0
Total	141	100.0

Below is a detailed breakdown of turnover rate of our employees by gender, age group and location as at 31 December 2021. They are defined by the categories of employees leaving employment divided by the total number of employees in those specified categories.

	2021	
	Number of staff	% of total
Gender		
Male	8	44.4
Female	10	55.6
Total	18	100.0
Employment category		
Full time	18	100.0
Part time	0	0
Total	18	100.0
Age		
20–35	13	72.1
36–45	3	16.7
46–55	1	5.6
56 or over	1	5.6
Total	18	100.0
Location		
China mainland	18	100.0
Total	18	100.0

2.2 Health and Security

The Company neither produces nor sells any product that could cause harm to the human body nor operates in environment that may cause harm. In compliance with the Environmental Protection Law, Law on the Prevention and Control of Occupational Diseases and the Fire Control Law and relevant provisions, the Company offers employees a safe and good work environment and adequate security measures to protect employees from occupational hazards.

To ensure the occupational health and safety of employees, the Company provides free medical examinations for all employees every year. It also organizes sports like long-distance running and badminton to ensure that the employees are in good health.

During the Reporting Year, the Company strictly complied with the aforementioned laws and regulations, and had no material violations of any health and safety laws and regulations. To the best of our directors' knowledge, there was no official record of any fatal accident, major work-related fatalities and work injuries, lost working days due to work injury in the Reporting Year, and there was no record of work-related fatality for at least three consecutive reporting years.

2.3 Development and Training

The Company conducts regular and irregular learning and training for all or some employees to improve their knowledge and skills. In 2021, the training rate for all employees reached 100%.

Employee Training Information

Classification		Average training hours per employee
Gender	Male	12.5
	Female	13.1
Employee level	Senior management	17.2
	Middle management	16.3
	Junior employee	22.5

The Company provides business etiquette training for all employees; business training and risk management training for the business department and the risk department; specialized training courses as well as learning, training and company visits on a quarterly basis for employees under 35; training of new types of business like art finance and equity investment for senior management.

Meanwhile, the Company has a training and management plan in place for our staff for the sake of strengthening their comprehensive capabilities and building a studious corporate culture. The aforesaid plan includes public course, professional course, management course and team experience course.

2.4 Labor Standard

In compliance with the Labor Law of the PRC and relevant provisions, the Company does not allow child labor nor forced labor. Employees need to have some knowledge reserves and professional skills due to the threshold and professional nature of this industry.

The Company validates identities of applicants to preclude the possibility of child labor. The code of operation specifies zero tolerance for forced labor and clearly provides the reporting contact information of the Company and regulatory department. The Company also makes interviews with employees from time to time by the HR department to ensure compliance with regulations.

During the Reporting Year, the Company had no material non-compliance incidents in relation to the Labor Law of the PRC.

2.5 Supply Chain Management

The Company works with a range of suppliers across the Company, spanning areas including but not limited to information technology, legal, marketing, agents, consultants and office equipment suppliers. During the Reporting Year, the Company engaged with 33 suppliers in Hong Kong and Mainland China.

To continuously improve service quality, the Company annually evaluate the performance of suppliers, including but not limited to service efficiency, business practices and data processing. In the process of evaluating suppliers, the company strictly controls the process, adopts the principle of multiple comparison, and selects the best. In addition, we value the views of our customers and the public on the quality of our services and conduct regular customer and public opinion surveys. During the Reporting Year, such practices are followed by all suppliers of the Group.

To understand and manage associated risks in the supply chain, a comprehensive supplier risk assessment was developed during the Reporting Year. The risk assessment identifies potential environmental and social risks that may impact the Group, as well as the likelihood and severity of these risks. These environmental and social risks include but are not limited to financial, operational, information technology and cyber security risks.

To promote green products, the Company strives to procure office stationery and furniture from suppliers who are certified with relevant local and international environmental certification standards. In addition, for the past few years, the Company used paper passing the authentication of FSC and specified that only wood pulp and/or 100% recycled paper with clear sources and not from high risk countries can be used. In regard to promoting environmentally friendly technology, the company is committed to promoting the electronic contract to replace the traditional paper contract, to achieve the effect of energy conservation and environmental protection.

During the Reporting Year, the Company is not aware of any major actual and potential negative impacts caused by any suppliers due to business ethics, environmental protection and improper labor measures.

2.6 Product Responsibility

In compliance with the General Principles of the Civil Law, Product Quality Law and the Law on Protection of the Rights and Interests of Consumers and relevant provisions, the Company offers financial services to the public and promotes business by briefing services it renders without any falsification or fraud. Attaching great importance to intellectual property and privacy information protection, the Company has developed multiple security measures to ensure that there is no act of selling or disclosing the customer information. It will never acquire or use unauthorized customer information through illegal channels.

The Company pays close attention to customer complaints and feedback on the financial services provided by the Company, and takes the business management departments under the two major business divisions as the responsible department to provide public contact information to receive customer complaints and feedback. During the Reporting Year, the Company did not receive any complaints from customers regarding services.

The Company has set up the information isolation system that only those with authorization can inquire about the customer data stored in the Company. The Company regularly reviews the history records on a regular basis to ensure the procedural compliance.

During the Reporting Year, the Group complied with all relevant laws and regulations having significant impacts on the Group relating to product responsibility and did not involve in any non-compliance matters.

In order to maximize the protection of our intellectual property, the Company has registered trademarks in certain countries and regions. The Company understands and complies with the intellectual property (“IP”) rights regulations. During the Reporting Year, there was no material infringement of the IP rights and the Company is confident that all reasonable measures have been taken to prevent any infringement of its IP rights and the IP rights of third parties. We retain the legal ownership of all designs, inventions or ideas developed by our employees during the course of their employment.

Subject to compliance with the relevant privacy protection regime, the Group will strive to protect and monitor the privacy of customer information. Any organizations or personnel are prohibited to access customer information without relevant approval by the Group.

Since the Company offers financial services to the public, it does not involve recalls of products sold or shipped for safety and health reasons, and quality inspection processes and product recall procedures.

2.7 Anti-Corruption

In compliance with the Criminal Law of the People's Republic of China and relevant provisions, the Company has formed strict monitoring systems and reporting procedures to prevent bribery, extortion, fraud and money laundering and other criminal acts.

To ensure operation efficiency and employees' development in a fair and honest working environment, the Company has formulated whistleblowing policy in the corporate governance manual in order to promote business ethics and integrity so as to avoid suspected corruption, extortion and money laundering channel such as by letter and email for employees to report suspected corruption are provided. If there are any suspected case related to corruption, employees are encouraged to report the related cases through the mentioned channels. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees.

Familiarizing directors and employees with all aspects of anti-corruption and helping them identify and mitigate associated risks is integral. To strengthen the relevant management on the prevention, implementation and oversight of anti-corruption measures in the Company, during the Reporting Year, the Company organized trainings on anti-corruption for directors and staff, formulated an integrity and self-discipline management system, and all employees signed personal integrity and self-discipline commitments.

The Company has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Year, there was no legal case regarding corrupt practices, extortion and money laundering brought against the Company or its employees.

2.8 Community Investment

The Company actively organizes and encourages employees to get involved in community activities and is committed in raising awareness of fair labour rights and fair market. The Company also places anti-pandemic and financial literacy at the core of its community investment strategy. In 2021, it organized employees to give lectures about the prevention of financial risks on weekends for several times to cultivate the residents' awareness and discrimination on illegal finance; responded the government's appeal and organized the employees to participate in anti- pandemic support, for several times; stopped granting loans and providing financial services to enterprises that may endanger the community environment, which has forced them to improve their production process.

During the Reporting Year, the Company organized employees to participate in voluntary anti-pandemic support for a total of 720 hours, and gave 6 financial literacy lectures for community residents.

As an enterprise bearing environmental responsibility and social responsibility, the Company is willing to invest energy and resources in living harmoniously with the environment and the society.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of China Huirong Financial Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 93 to 179, comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are related to fair value of investment property classified as level 3 and expected credit loss for loans to customers as at 31 December 2021.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value of investment property classified as level 3	
Refer to Note 2.9, 4.3, 11, 26 to the consolidated financial statements. The Group's investment property classified as level 3 amounting to RMB202 million as at 31 December 2021 in the Group's consolidated statement of financial position with a corresponding fair value gain of RMB110 million recognized in the consolidated statement of comprehensive income for the year ended 31 December 2021. As 31 December 2021, the management determined the fair value of its investment property by discounting the estimated future rental proceeds. The rental proceeds in future periods are estimated based on current market rentals for similar properties adjusted by expected vacancy rate and rental growth rate. The significant unobservable inputs involved in the valuation are discount rate, expected vacancy rate and rental growth rate. As the valuation of investment property classified as level 3 involve significant judgments and assumptions in determining these significant unobservable inputs and the amounts are significant to the Group's consolidated financial statements, we determined this as a key audit matter.	We understood and evaluated the internal controls relating to the valuation of level 3 investment properties. We performed following substantive procedures relating to the valuation of level 3 investment property: (1) assessed the appropriateness of the valuation approach adopted by management; (2) examined the available market information from independent external sources and the rental intention agreements signed with lessees to assess the appropriateness of the expected vacancy rate and rental growth rate used by the management; (3) independently evaluated the reasonableness and appropriateness of the significant unobservable inputs including discount rate,expected vacancy rate and rental growth rate used by the management with the support from our internal valuation expert; (4) tested the mathematical accuracy of calculation of fair value for investment property. Based on our procedures performed, the model, the key judgments and assumptions applied in determining the fair value of investment property by the management was considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of Expected Credit Loss ("ECL") for loans to customers

Refer to Note 2.12, 3.1(a), 4.1, 32 to the consolidated financial statements.

As at 31 December 2021, the Group's gross loans to customers amounted to RMB2,459 million, and ECL allowances of RMB644 million were recognized in the Group's consolidated statement of financial position. The ECLs on loans to customers recognized in the Group's consolidated statement of comprehensive income for the year ended 31 December 2021 amounted to RMB154 million.

The Group assesses whether the credit risk of loans to customers has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL allowances. For loans to customers in stages 1 and 2, the management assessed ECL allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default and exposure at default. For loans to customers in stage 3, the management used the discounted cash flow model to calculate ECL allowances taking into consideration the forward-looking factors.

The measurement model of ECLs involved significant management judgments and assumptions, primarily including the following:

(1) determination of relevant key models and parameters;

(2) criteria for determining whether or not there was a significant increase in credit risk and definition of default or credit impairment;

(3) estimated future cash flows for loans to customers that the discounted cash flow model is used to calculate ECL allowances;

(4) economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings.

We understood, evaluated and tested the internal controls relating to the measurement of ECLs for loans to customers which comprised:

(1) governance over ECL models, including the selection, approval and application of modelling methodology; and the internal processes relating to the on-going monitoring and enhancements of the models;

(2) assessment and approval of significant management judgments and assumptions, including parameters estimation, the criteria of significant increase in credit risk, the definition of default and credit-impairment, and use of economic variables and relative weightings for forward-looking scenarios;

(3) internal controls over the accuracy and completeness of key inputs used by the models;

(4) internal controls relating to estimating future cash flows and calculating the present values of such cash flows for loans to customers classified in stage 3.

We analyzed the risk characteristics of asset portfolios and assessed the reasonableness of segmentation.

We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also evaluated management's back-testing of the actual defaults against the expected defaults generated from the model as at the end of previous period, togethering with their updates to the model based on the result of their back-testing. We evaluated the reasonableness of loss given default by analysing the Group's historical loss experiences taking into consideration the forward-looking factors.

We examined data inputs to the ECL models such as credit exposures and maturity dates for selected samples, including the historical data and the data at the measurement date, by checking against supporting documents such as loan contracts and borrowers' basic information.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of Expected Credit Loss ("ECL") for loans to customers (Continued)	
The Group established related controls for the measurement of ECLs. Management applied significant judgments in measuring its ECL which involved models with a number of assumptions, parameters and data inputs; and the ECL amounts involved were significant. In view of these reasons, we included this as a key audit matter.	We assessed the appropriateness of management's criteria of the three stages classification of loan to customers, taking into consideration the Group's credit risk profile and risk management practices, and selected samples to test the management's classification into the three stages by examining the financial and non-financial information of the borrowers, assessing the overdue status of loan to customers by comparing to maturity dates specified in loan contracts, and considering other relevant external evidences. For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit asset portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we assessed the appropriateness of economic scenarios by performing sensitivity analysis and their weightings employed by performing historical back-testing. For loans to customers in stage 3 that the discounted cash flow model is used to calculate ECL allowances, we examined, on a sample basis, forecasted future cash flows taking into consideration the forward-looking factors used by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information in supporting the computation of ECL allowances. Based on our procedures performed, the models, key parameters, significant judgements, and assumptions adopted by the management and the measurement results were considered acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2021	2020
Interest income	6	**269,276**	250,843
Revenue from commodities trading	7	**93,108**	—
Consultancy fee income	8	**601**	1,916
Commission fee income	9	**4,840**	7,047
Operating income		**367,825**	259,806
Interest expense	10	**(25,577)**	(32,880)
Costs for commodities trading	7	**(92,362)**	—
Commission fee expense	9	**(2,712)**	(6,133)
Operating cost		**(120,651)**	(39,013)
Net investment gains/(losses)	11	**117,310**	(4,919)
Credit impairment losses	12	**(153,849)**	(125,016)
Net gains/(losses) on derecognition of financial assets measured at amortized cost	13	**534**	(258)
Other operating income	14	**1,042**	1,511
Net operating income		**212,211**	92,111
General and administrative expenses	15	**(62,906)**	(52,649)
Other losses, net	17	**(2,792)**	(17,652)
Operating profit and profit before income tax		**146,513**	21,810
Income tax expense	19	**(45,799)**	(12,038)
Profit for the year		**100,714**	9,772
Profit is attributable to:			
— Owners of the Company		**87,169**	2,216
— Non-controlling interests		**13,545**	7,556
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	20	**0.080**	0.002
— Diluted earnings per share	20	**0.080**	0.002
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**100,714**	9,772
Total comprehensive income for the year is attributable to:			
— Owners of the Company		**87,169**	2,216
— Non-controlling interests		**13,545**	7,556

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	*22*	**53,274**	841
Properties under development	*23*	**—**	11,769
Right-of-use assets	*24*	**20,903**	43,961
Investments accounted for using the equity method	*25*	**17,475**	1,500
Investment properties	*26*	**203,698**	1,621
Intangible assets	*27*	**2,238**	3,373
Loans to customers	*32*	**202,993**	110,762
Deferred income tax assets	*28(a)*	**89,882**	87,744
Financial asset at fair value through profit or loss	*33*	**—**	440
Total non-current assets		**590,463**	262,011
Current assets			
Inventories	*30*	**17,707**	—
Other current assets	*31*	**39,545**	25,036
Commission fee receivables		**6**	557
Loans to customers	*32*	**1,612,084**	1,703,449
Financial assets at fair value through profit or loss	*33*	**93,043**	107,422
Cash at bank and cash on hand	*34*	**483,347**	434,080
Total current assets		**2,245,732**	2,270,544
Total assets		**2,836,195**	2,532,555
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*35*	**8,662**	8,641
Share premium	*36*	**604,478**	602,728
Other reserves	*36*	**593,122**	593,774
Retained earnings	*37*	**662,597**	575,428
		1,868,859	1,780,571
Non-controlling interests	*18(a)*	**224,875**	161,327
Total equity		**2,093,734**	1,941,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2021	2020
LIABILITIES			
Non-current liabilities			
Lease liabilities	*24*	**4,540**	6,491
Borrowings	*39*	**89,380**	50,380
Deferred income tax liabilities	*28(b)*	**22,427**	—
Total non-current liabilities		**116,347**	56,871
Current liabilities			
Other current liabilities	*38*	**83,357**	22,552
Current income tax liabilities		**30,253**	21,813
Amounts due to related parties	*43(c)*	**633**	25,672
Dividends payable		**2,678**	1,262
Lease liabilities	*24*	**2,913**	2,498
Borrowings	*39*	**506,280**	459,989
Total current liabilities		**626,114**	533,786
Total liabilities		**742,461**	590,657
Total equity and liabilities		**2,836,195**	2,532,555

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 25 March 2022.

Wu Min
Executive Director

Zhang Changsong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(All amounts in RMB thousands unless otherwise stated)

		Attributable to the owners of the Company						
	Note	Share Capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling Interests	Total equity
Balance at 31 December 2019		8,632	601,993	596,266	586,212	1,793,103	155,341	1,948,444
Profit for the year		—	—	—	2,216	2,216	7,556	9,772
Total comprehensive income for the year		—	—	—	2,216	2,216	7,556	9,772
Transactions with owners in their capacity as owners								
Issue of ordinary shares under employee share scheme	*36(a)*	9	735	(187)	—	557	—	557
Transactions with non-controlling interests		—	—	(555)	—	(555)	(29,445)	(30,000)
Capital movement of non-controlling interests	*36(b)*	—	—	(1,750)	—	(1,750)	41,750	40,000
Dividends declared or paid	*18(a)*	—	—	—	(13,000)	(13,000)	(13,875)	(26,875)
Total transactions with owners in their capacity as owners		9	735	(2,492)	(13,000)	(14,748)	(1,570)	(16,318)
Balance at 31 December 2020		8,641	602,728	593,774	575,428	1,780,571	161,327	1,941,898

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021
(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to the owners of the Company					Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 31 December 2020		8,641	602,728	593,774	575,428	1,780,571	161,327	1,941,898
Profit for the year		–	–	–	87,169	87,169	13,545	100,714
Total comprehensive income for the year		–	–	–	87,169	87,169	13,545	100,714
Transactions with owners in their capacity as owners								
Issue of ordinary shares under employee share scheme	*36(a)*	21	1,750	(451)	–	1,320	–	1,320
Non-controlling interests on acquisition of subsidiary		–	–	–	–	–	26,250	26,250
Capital movement of non-controlling interests	*36(b)*	–	–	(201)	–	(201)	35,201	35,000
Dividends declared or paid	*18(a)*	–	–	–	–	–	(11,448)	(11,448)
Total transactions with owners in their capacity as owners		21	1,750	(652)	–	1,119	50,003	51,122
Balance at 31 December 2021		8,662	604,478	593,122	662,597	1,868,859	224,875	2,093,734

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2021	2020
Cash flows from operating activities			
Cash generated from operating activities	*40(a)*	**135,577**	455,722
Interest received from bank deposits		**5,019**	17,352
Interest paid		**(25,067)**	(33,546)
Income tax paid		**(17,070)**	(28,746)
Net cash inflow from operating activities		**98,459**	410,782
Cash flows from investing activities			
Payments for acquisition of an affiliate		**(15,975)**	—
Payments for property, plant and equipment		**(28,870)**	(16)
Payments for intangible asset	*27*	**(78)**	(537)
Payments for properties under development		**—**	(6,706)
Payments for investment property		**(30,746)**	—
Net cash outflow from investing activities		**(75,669)**	(7,259)
Cash flows from financing activities			
Proceeds from borrowings		**712,510**	1,291,259
Proceeds from issuance of shares under share-based payments		**1,320**	557
Repayments of borrowings		**(652,349)**	(1,750,986)
Repayments of lease liabilities		**(4,281)**	(3,126)
Transactions with non-controlling interests		**—**	(30,000)
Capital movement of non-controlling interests	*36(b)*	**61,250**	40,000
Dividends paid to owners of the Company		**—**	(13,000)
Dividends paid to non-controlling interests	*18(a)*	**(10,032)**	(13,875)
Net cash inflow/(outflow) from financing activities		**108,418**	(479,171)
Net increase/(decrease) in cash and cash equivalents		**131,208**	(75,648)
Cash and cash equivalents at beginning of year		**103,919**	181,038
Effects of exchange rate changes on cash and cash equivalents		**(346)**	(1,471)
Cash and cash equivalents at end of year	*34*	**234,781**	103,919

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the "Company") is incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands. The Company is ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the "Ultimate Shareholders").

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in lending services through granting secured and unsecured loans to customers in the People's Republic of China (the "PRC").

On 28 October 2013, the Company's shares were listed on The Stock Exchange of Hong Kong Limited.

The detailed information of the subsidiaries of the Company can be found in Note 18.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 25 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of China Huirong Financial Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and investment properties which are measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting year commencing 1 January 2021:

- *Interest Rate Benchmark Reform — Phase 2—amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16*

The Group also elected to adopt the following amendments early.

- *Annual Improvements to HKFRS Standards 2018-2020 Cycle*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to HKAS 12*
- *Covid-19-Related Rent Concessions beyond 30 June 2021*

The amendments listed above did not have any significant impact on the amounts recognized in prior and current periods and are not expected to significantly affect the future periods.

(d) New standards and interpretations relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2021 by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including a Structured Entity ("SE")) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(a) Subsidiaries (Continued)

(i) *Subsidiary from contractual arrangements*

In December 2011, the Company's wholly owned subsidiary, Suzhou Huifang Tongda Information Technology Company Limited (蘇州匯方同達信息科技有限公司) ("Huifang Tongda"), entered into a series of contractual agreements with Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop"), Wuzhong Pawnshop's direct owners namely Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) ("Wuzhong Jiaye")and Suzhou New District Hengyue Management Consulting Co., Ltd. (蘇州新區恆悅管理諮詢有限公司) ("Hengyue Consulting"), and their respective owners, which enables the Company to:

- exercise effective control over Wuzhong Pawnshop;
- exercise owners' voting rights of Wuzhong Jiaye and Hengyue Consulting during the general meetings of Wuzhong Pawnshop;
- receive a majority of the economic benefits of Wuzhong Pawnshop through service fees in consideration for the management and consulting services provided by Huifang Tongda;
- receive the residual economic benefits of Wuzhong Pawnshop by exercising an exclusive option to purchase the entire equity interest in Wuzhong Pawnshop when and to the extent permitted under PRC laws; and
- obtain a pledge over the entire equity interest of Wuzhong Jiaye and Hengyue from their respective owners.

Since both the Company and Wuzhong Pawnshop were then owned by the same Ultimate Shareholders, the above reorganisation of Wuzhong Pawnshop (the "Reorganisation") was accounted for using the accounting principle similar to that of a reverse acquisition.

The Company does not have any equity interest in Wuzhong Pawnshop. However, as a result of the Reorganisation, the Group controls Wuzhong Pawnshop and is considered to be the primary beneficiary of the results, assets and liabilities of Wuzhong Pawnshop. Consequently, the Company treats Wuzhong Pawnshop as an indirect subsidiary under HKFRS. The Company has included the financial position and results of Wuzhong Pawnshop in its consolidated financial statements.

(ii) *Other subsidiaries*

Except for the Reorganisation above, the Group applies the acquisition method to account for business combinations.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in other reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision-maker in resource allocation and performance assessment of each operating segment. The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within interest expense. All other foreign exchange gains and losses are presented in consolidated statement of comprehensive income on a net basis within other (losses)/gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	25–40 years
Leasehold improvements	3–5 years
Vehicles	5 years
Electronics and other equipment	5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as set out in Note 2.11.

Property and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of its carrying amount and related taxes and expenses is recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Properties under development

Properties under development are stated at the lower of cost and net realizable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable expenses and the anticipated costs to completion.

2.9 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. A right-of-use asset relating to property which is held to earn rentals and/or for capital appreciation is also an investment property.

Investment properties are initially measured at cost plus transaction costs. The Group uses the fair value model for subsequent measurement of investment properties since their fair value can be measured reliably on a continuous basis. In the case of a self-constructed investment property, the Group initially accounts for it at cost model before the construction is completed. At the completion date, any difference between the fair value of the property and its previous carrying amount is recognized in profit or loss.

At each reporting date, the Group re-measures the fair value of investment properties and any gain or loss arising from a change in the fair value is recognized in profit or loss for that period.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss.

2.10 Intangible assets

Intangible assets comprise of computer software and licenses, which are initially recognized at cost. The cost less estimated residual values (if any) of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	10 years
Licenses	5 years

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.11.

2.11 Impairment of non-financial assets

Non-financial assets that have a definite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowances.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any ECL allowances) or to the amortized cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets — assets that are credit-impaired at initial recognition — the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

(b) Financial assets that are not "POCI" but have subsequently become credit-impaired (or "stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the ECL allowances).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets and liabilities (Continued)

Measurement methods (Continued)

Initial recognition and measurement (Continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

2.12.1 Financial assets

(i) Classification and subsequent measurement

The Group has classified its financial assets in the following measurement categories:

- Amortized cost (AC);
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans to customers, term deposits with banks and other current assets (excluding repossessed assets).

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets and liabilities (Continued)

2.12.1 Financial assets (Continued)

(i) Classification and subsequent measurement (Continued)

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowances recognized and measured as described in Note 4.1(a)(ii). Interest income from these financial assets is included in "interest income" using the effective interest rate method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net" and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the consolidated statement of comprehensive income within "net investment (losses)/gains" in the period in which it arises.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets and liabilities (Continued)

2.12.1 Financial assets (Continued)

(i) *Classification and subsequent measurement (Continued)*

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity instruments at FVOCI when those instruments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payment is established. Gains and losses on equity investments at FVPL are included in the "Net investment (losses)/gains" line in the consolidated statement of comprehensive income.

(ii) *Impairment*

The Group assesses on a forward-looking basis the ECL allowances associated with its debt instrument assets carried at amortized cost and with the exposure arising from term deposits with banks and other financial assets. The Group recognizes an ECL allowance for such losses at each reporting date. The measurement of ECL allowances reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) *Derecognition other than modification*

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets and liabilities (Continued)

2.12.1 Financial assets (Continued)

(iii) Derecognition other than modification (Continued)

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach.

Under this approach, the Group continues to recognize the transferred asset to the extent of its continuing involvement and recognize the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortized cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortized cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

2.12.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior year, financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; and

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent years, the Group recognizes any expense incurred on the financial liability.

- Financial guarantee contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets and liabilities (Continued)

2.12.2 Financial liabilities (Continued)

(ii) *Derecognition*

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

(iii) *Interest expenses*

Interest expenses are calculated by applying the effective interest rate to the gross carrying amount of financial liabilities and are expensed in the year in which they are incurred.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Inventories

The Group's inventories are tradable commodities arising from its supply chain businesses, which are initially measured at cost. Costs are assigned to individual items of inventory on the basis of weighted average costs method, including purchase cost and other variable purchase expenses, after deducting rebates and discounts.

At the end of each reporting period, tradable commodities are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Tradable commodities are classified as current assets if they are to be sold within one year.

2.16 Repossessed collateral assets

Repossessed collateral assets are accounted for as "repossessed assets" and reported under "other current assets" upon derecognition of relevant loans. Repossessed collateral assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting year. When the fair value less costs to sell is lower than a repossessed collateral asset's carrying amount, an impairment loss is recognized in the consolidated statement of comprehensive income.

Any gain or loss arising on the disposal of the repossessed collateral asset is included in the consolidated statement of comprehensive income in the period during which the item is disposed.

2.17 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Earnings per share

(a) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share, by taking into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accrued employee benefits in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(b) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves the Group.

(c) Other social security obligations

The PRC employees of the Group are entitled to participate in various government-sponsored social security funds, including medical, housing and other welfare benefits. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries and the contributions are recognized in the consolidated statement of comprehensive income for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contributions payable in the reporting year.

2.23 Share-based payments

Employee Options

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting year, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.25 Leases

(a) The Group as Lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) The Group as Lessee (Continued)

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

(b) The Group as Lessor

Lease income from operating leases where the Group is a lessor is recognized in other operating income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition

(a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets. For those financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, where the interest income is calculated by applying its effective interest rate to the amortised cost (i.e. net of the expected credit loss provision).

(b) Consultancy and insurance agency commission fee income

The Group provides consultancy and insurance agency services to its clients.

The consultancy services include multiple performance obligations and the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where the performance obligations are not directly observable, they are estimated based on expected cost plus margin.

The insurance agency services contain a series of distinct services that are substantially the same and have the same pattern of transfer. Therefore, the services are identified as one performance obligation.

Revenue from providing such services is recognized in the accounting period in which the services are rendered.

(c) Revenue from commodities trading

The Group determines first whether the nature of its promise is a performance obligation to provide the specified commodities itself (i.e. the Group is a principal) or to arrange for those commodities to be provided by another party (i.e. the Group is an agent).

If the Group controls the specified commodities before they are transferred to a customer, the Group is a principal and recognize its revenue on delivering the commodities to customers, which generally coincides with the transferal of control.

If the Group's performance obligation is to arrange for the provision of the specified commodity by the other party, the Group is an agent since it does not control the specified commodity. It recognizes revenue in the amount of fee or commission which it expects to be entitled to.

2.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognized as income of the period in which they become receivable.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates its critical accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.1 Critical accounting estimates

(a) Measurement of ECL allowances

The measurement of the ECL allowances for financial assets measured at amortized cost is an area that requires the use of ECL models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL allowances is further detailed in Note 4.1, which also sets out key sensitivities of the ECL allowances to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL allowances, such as:

- determination of relevant key models and parameters;
- criteria for determining whether or not there was a significant increase in credit risk ("SICR") and definition of default or credit impairment;
- estimated future cash flows for loans to customers in stage 3;
- economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings.

(b) Fair value of investment properties

The fair value of investment properties are determined by using valuation techniques. Observable inputs are used at arm's length. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect reported fair value of investment properties. Detailed information about the judgements and estimates made by the Group is set out in Note 4.3(b).

(c) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Critical accounting judgements

Contractual Agreements

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered owners of Wuzhong Pawnshop are Wuzhong Jiaye and Hengyue Consulting. As described in Note 2.2(a) above, the Group's wholly owned subsidiary Huifang Tongda entered into a series of Contractual Agreements with Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the owners of Wuzhong Jiaye and Hengyue Consulting. Such Contractual Agreements include: (i) a proxy agreement where Wuzhong Jiaye and Hengyue Consulting have irrevocably and unconditionally undertaken to authorize Huifang Tongda to exercise their shareholders' rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Huifang Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the Wuzhong Pawnshop and/or all assets of the Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that the Company does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Company has power over the financial and operating policies of Wuzhong Pawnshop and receive a majority of the economic benefits from its business activities. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Managing risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management is carried out by a Central Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, market risk and liquidity risk.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The most important types of financial risk are credit risk, market risk and liquidity risk. Market risk primarily includes interest rate risk, foreign exchange risk and security price risk.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or those in credit quality of a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio, but can also from interest receivable from bank deposits and other receivables.

(i) Credit risk measurement of loans to customers

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

(ii) ECL allowances measurement

In accordance with HKFRS 9, the Group constructed a "three-stage" ECL model to measure ECL allowances based on changes in credit quality since initial recognition of a loan:

- Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.

- Stage 2: If an SICR since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.

- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

Financial instruments in Stage 1 have their ECL allowances measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL allowances measured based on ECLs on a lifetime basis.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

a. SICR

The Group manages the credit risk of its loan portfolio mainly by monitoring the over-due status of borrowers. The Group considers a loan to have experienced an SICR when it meets one or more of the following quantitative and qualitative criteria:

Quantitative criteria:

- The borrower is past due on its contractual payments for more than 30 days but no more than 90 (included) days.

Qualitative criteria:

- Default in other financial institutions; and
- Under-going law sue.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the central Risk Management Department.

b. Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impairment, when it meets one or more of the following criteria:

Quantitative criteria:

- The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria:

- The debtor is likely to go bankrupt or carry out other financial restructuring.
- The Group has made concessions to the debtor in financial difficulty for economic or legal reasons.

The criteria above have been applied to all financial instruments measured at amortized cost and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

c. Measuring ECL allowances — Model inputs, assumptions and estimation techniques

The ECL allowance is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL allowances are the discounted product of the PD, LGD, and EAD, defines as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above).

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

- EAD is based on the amounts the Group expects to be owed at the time of default.

The ECL allowance is determined by projecting the PD, LGD and EAD for every six months and for each individual exposure or collective segment. These three components are multiplied together and adjusts their duration (if there is no early repayment or default). This effectively calculates an ECL allowance for every six months, which is then discounted back to the reporting date and summed. The discount rate used in the ECL allowance calculation is the original effective interest rate.

For loans to customers in stage 1, the Group first calculates the annual 12-month PD and then transfers it to monthly PD. For loans to customers in stage 2 and 3, the Lifetime PDs are developed by monitoring how defaults develop in a portfolio from the point of time when a loan experiences SICR to its lifetime. The lifetime PDs are based on historical observed data taking into consideration forward-looking factors and are assumed to be the same across all loans to customers within a portfolio. This is supported by historical analysis.

The lifetime LGDs are determined based on the factors that affect the recoverable amounts post default. These vary by product type.

- For secured loans to customers, this is primarily based on the projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured loans to customers, the Group will preserve the borrower's asset to mitigate the credit risk. Thus the LGDs are determined based on the factors similar to secured loans to customers.

Forward-looking economic information is also included in determining the 12-month and lifetime PDs and LGDs. These assumptions vary by product type.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

c. Measuring ECL allowances — Model inputs, assumptions and estimation techniques (Continued)

For loans to customers classified into stages 1 and 2, the management assessed ECL allowances using the risk parameter modelling approach that incorporates key parameters, including PD, LGD and EAD. For impaired loans to customers in stage 3, the management assesses ECL allowances by estimating the cash flows from the loans taking into consideration of forward-looking factors.

The assumptions underlying the ECL allowance calculation, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed on a half-year basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

d. Forward-looking information incorporated in the ECL models

Both the assessment of SICR and the calculation of ECL allowances incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables for each ECL segment.

Based on analysis and assessment, the Group applies a series of economic variables (including Urban Per Capita Disposable Income (城鎮居民人均可支配收入), National Housing Sensitive index (國房景氣指數) and Business Climate Index (企業景氣指數), etc.) to establish statistical co-relation between such economic variables and PDs, LGDs. A forward-looking result on PDs and LGDs is calculated based on forecasts of these economic variables.

The following table illustrates how economic variables apply to different portfolios.

	PDs	LGDs
Secured loans to customers	Urban Per Capita Disposable Income	National Housing Sensitive index
Unsecured loans to customers	Urban Per Capita Disposable Income	Business Climate Index

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

d. Forward-looking information incorporated in the ECL models (Continued)

Economic variable forecasts

The most significant year-end forecasts used for the ECL allowances estimate as at 31 December 2021 are set out below. The scenarios "base", "upside" and "downside" are used for all segments.

		2021
Urban Per Capita Disposable Income	Base	**8.56**
	Upside	**8.57**
	Downside	**8.56**
National Housing Sensitive index	Base	**100.65**
	Upside	**100.71**
	Downside	**100.60**
Business Climate Index	Base	**127.04**
	Upside	**126.97**
	Downside	**127.10**

The weightings assigned to each economic scenario at 31 December 2021 are as follows:

	Base	Upside	Downside
All portfolios	80%	10%	10%

Other forward-looking considerations not incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL allowances for such factors. This is reviewed and monitored for appropriateness regularly.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

d. Forward-looking information incorporated in the ECL models (Continued)

Sensitivity analysis

Set out below are the changes to the ECL allowances as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

Secured loans to customers		Urban Per Capita Disposable Income –1%	No change	+1%
National Housing Sensitive index	+1%	–0.05%	–0.04%	–0.02%
	No change	–0.02%	—	0.02%
	–1%	0.02%	0.04%	0.06%

Unsecured loans to customers		Urban Per Capita Disposable Income –1%	No change	+1%
Business Climate index	+1%	–0.18%	–0.11%	–0.04%
	No change	–0.07%	—	0.07%
	–1%	–0.04%	0.03%	0.10%

As at 31 December 2021, weighted average ECL allowances for loans to customers under the three economic scenarios (upside, base and downside) will increase by less than 1% compared to ECL allowances for loans to customers under the base economic scenario.

Should the weighting assigned to the upside economic scenario increase by 10% and the weighting assigned to base economic scenario decrease by 10%, the ECL allowances for loans to customers would decrease by less than 1%. Should the weighting assigned to downside economic scenario increase by 10% and the weighting assigned to base economic scenario decrease by 10%, the ECL allowances for loans to customers would increase by less than 1%.

The Group performs a sensitivity analysis on the ECL allowances, assuming all past due loans to customers currently categorized at Stage 1 are moved down to Stage 2 after having experienced an SICR. The table below shows the change in ECL allowances:

Loans to customers	As at 31 December 2021
ECL allowances assuming past due loans to customers at Stage 1 move down to Stage 2	648,559
Current ECL allowances	644,480
Difference	4,079
Difference percentage	0.63%

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(iii) Credit risk exposure

a. Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December				
	2021 ECL staging				2020
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Loans to customers					
Secured loans to customers (a)	538,408	42,118	817,840	1,398,366	1,266,496
Unsecured loans to customers (b)	810,376	6,797	244,019	1,061,192	1,151,385
Gross carrying amount	1,348,784	48,915	1,061,859	2,459,558	2,417,881
Loss allowances	(30,566)	(13,688)	(600,227)	(644,481)	(603,670)
Carrying amount	1,318,218	35,227	461,632	1,815,077	1,814,211
Term deposits with banks					
Credit grade					
AAA	244,390	–	–	244,390	325,306
Gross carrying amount	244,390	–	–	244,390	325,306
Loss allowances	(164)	–	–	(164)	(164)
Carrying amount	244,226	–	–	244,226	325,142
Structured deposits with banks					
Credit grade					
AAA	61,295	–	–	61,295	82,880
Gross carrying amount	61,295	–	–	61,295	82,880
Other current assets (excluding repossessed assets)					
Gross carrying amount	12,345	–	1,901	14,246	7,076
Loss allowances	–	–	(951)	(951)	(1,607)
Carrying amount	12,345	–	950	13,295	5,469
Guarantee and commitment					
Financial guarantees exposure	46,950	–	–	46,950	48,550

(a) Secured loans to customers comprise real estate backed loans and personal property backed loans.

(b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(iv) *Concentration of risks of financial assets with credit risk exposure*

The Group maintains a diversified client base. The gross carrying amount from the top five customers accounted for 25.9% of total gross carrying amount as at 31 December 2021 (31 December 2020: 27.2%). Interest income from the top five customers accounted for 23.0% of total interest income for the year ended 31 December 2021 (2020: 27.0%).

(v) *Collateral and other credit enhancement*

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans to customers are:

- Real estate, including residential, commercial and industrial properties;
- Equity instruments, mainly equity interest in unlisted companies which are typically related to the borrowers; and
- Personal properties, including but not limited to vehicles, luxury goods, precious metal, jewellery and works of art.

The Group's policies regarding obtaining collateral have not significantly changed in 2021 and there has been no significant change in the overall quality of the collateral held by the Group since the prior year.

The Group also focuses on ascertaining legal ownership and the valuation of the real estate and work of art collaterals. A loan granted is based on the value of the collaterals, which is generally lower than the estimated value of the real estate and work of art collaterals. The Group monitors the value of the real estate and work of art collaterals throughout the loan period.

For unsecured loan, other than taking into consideration of repayment ability and credit records of individual borrower, the Group also introduces other credit enhancement measures for unsecured loans, primarily a third party guarantee.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(v) Collateral and other credit enhancement (Continued)

a. Fair Value of collateral of credit-impaired loans

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

As at 31 December 2021, the gross amount of real estate backed loans that are credit-impaired and the fair value of collateral held in order to mitigate potential credit losses are shown below:

	Real estate backed loans
31 December 2021	
Gross exposure	817,840
Less: ECL allowances	(371,420)
Carrying amount	446,420
Fair Value of collateral held	759,812

(vi) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded no reasonable expectation of recovery. Indicators include: (i) the Group ceases enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that no reasonable expectation of recovering in full exists.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 is RMB70,762 thousand (2020: RMB3,478 thousand). The Group aims to recover amounts to which it is legally entitled in full, but they have been partially written off due to no reasonable expectation of full recovery.

(b) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk is primarily attributable to interest rate risk arising from loans to customers, bank balances and borrowings. The Group has established policies and procedures for monitoring and managing market risk.

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(i) *Interest rate risk (Continued)*

The most significant interest-bearing assets and liabilities are loans to customers and borrowings, which both bear fixed interest rates to generate cash flows independent from market interest rates. Contractual interest rate re-pricing is matched with maturity date of each loan granted to customer, or maturity date of borrowings. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of loans to customers, borrowings and interest bearing bank deposits.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB1,676 thousand for the year ended 31 December 2021 (2020: RMB385 thousand).

Interest rates on interest-bearing financial assets, mainly loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

(ii) *Foreign exchange risk*

The Group operates principally in the PRC. The majority of recognized assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in RMB thousand, is as follows:

	As at 31 December			
	2021		2020	
	USD	**HKD**	USD	HKD
Cash at bank and cash on hand	**7,915**	**3,920**	240,109	379
Loans to customers	**—**	**21,449**	—	22,364
Net exposure	**7,915**	**25,369**	240,109	22,743

Should US dollar and Hong Kong dollar weaken/strengthen by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB0.3 million (2020: RMB2.6 million) lower/higher.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's assets measured at fair value will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual asset or its issuer, or factors affecting all similar assets.

The Group's price risk exposure mainly relates to financial assets at fair value through profit or loss and investment properties. The market prices of those assets could lead to the fluctuation of investment value. The Group monitors the fair value of its portfolio on a timely basis and adjusts the position according to its analysis and prospect of the market.

Should the prices of these assets had increased/decreased by 5%, the profit before income tax would have been RMB10.9 million (2020: RMB1.2 million) higher/lower for the year ended 31 December 2021.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for customer lending. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets.

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

(i) Maturities of financial assets and liabilities

The table below analyzes the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Group's expected cash flows on these financial instruments may vary significantly from the following analysis.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

(i) Maturities of financial assets and liabilities (Continued)

	Repayable on demand or within 1 month	1–6 months	6–12 months	Over 12 months	Past due	Total
As at 31 December 2021						
Cash at bank and cash on hand	497,054	40,889	10,457	–	–	548,400
Financial assets at fair value through profit or loss	31,748	–	61,295	–	–	93,043
Loans to customers	142,406	742,792	253,649	225,308	521,412	1,885,567
Total financial assets	671,208	783,681	325,401	225,308	521,412	2,527,010
Borrowings	(243,983)	(188,410)	(74,793)	(132,120)	–	(639,306)
Amounts due to related parties	(633)	–	–	–	–	(633)
Lease liabilities	(451)	(892)	(1,565)	(7,330)	–	(10,238)
Other financial liabilities	(16,215)	–	–	–	–	(16,215)
Total financial liabilities	(261,282)	(189,302)	(76,358)	(139,450)	–	(666,392)
Net liquidity gap	409,926	594,379	249,043	85,858	521,412	1,860,618
As at 31 December 2020						
Cash at bank and cash on hand	258,110	160,919	120,382	–	–	539,411
Financial assets at fair value through profit or loss	24,982	2,000	80,880	–	–	107,862
Loans to customers	169,827	759,141	248,578	122,337	579,761	1,879,644
Total financial assets	452,919	922,060	449,840	122,337	579,761	2,526,917
Borrowings	(129,080)	(118,343)	(247,569)	(71,000)	–	(565,992)
Amounts due to related parties	(633)	–	(25,056)	–	–	(25,689)
Lease liabilities	(451)	(892)	(1,565)	(7,330)	–	(10,238)
Other financial liabilities	(4,745)	–	–	–	–	(4,745)
Total financial liabilities	(134,909)	(119,235)	(274,190)	(78,330)	–	(606,664)
Net liquidity gap	318,010	802,825	175,650	44,007	579,761	1,920,253

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value of financial assets and liabilities

The Group's financial assets and liabilities are categorized as "cash at banks and cash on hand", "loans to customers", "financial assets at fair value through profit or loss", "other financial receivables", "borrowings", "amounts due to related parties" and "other financial liabilities" respectively.

"Cash at banks and cash on hand", "loans to customers", "other financial receivables", "borrowings", "amounts due to related parties" and "other financial liabilities" are stated at amortized cost, where fair values approximate to their amortized costs.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	Level 1	**Level 2**	**Level 3**	**Total**
As at 31 December 2021				
Financial assets at fair value through profit or loss				
— Equity investments	**16,748**	**—**	**15,000**	**31,748**
— Structured deposits	**—**	**—**	**61,295**	**61,295**
	16,748	**—**	**76,295**	**93,043**

	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Financial assets at fair value through profit or loss				
— Equity investments	24,542	440	—	24,982
— Structured deposits	—	—	82,880	82,880
	24,542	440	82,880	107,862

There were no transfers between any Levels during the year.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021 (31 December 2020: same).

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value of financial assets and liabilities (Continued)

(b) Valuation techniques used to determine fair value

The fair value of financial assets and liabilities in level 3 are mainly calculated by applying the discounted cash flow model as at 31 December 2021 and 31 December 2020.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2021 and 31 December 2020:

	Structured deposits	Equity investments
Opening balance as at 1 January 2021	82,880	—
Disposals	(82,880)	—
Acquisitions	59,500	15,000
Unrealized gains recognized in net investment gains	1,795	—
Closing balance as at 31 December 2021	61,295	15,000
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the year	1,795	—

	Structured deposits	Equity investments
Opening balance as at 1 January 2020	—	—
Acquisitions	82,880	—
Closing balance as at 31 December 2020	82,880	—

(d) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable input used in level 3 fair value measurements:

Description	Fair value at 31 December 2021	Unobservable inputs	Range of inputs 31 December 2021	Relationship of unobservable inputs to fair value
Structured deposits	61,295	Expected yield to maturity	1.95%–3.70%	The higher the expected yield to maturity, the higher the fair value

The Group's equity investments measured at fair value in level 3, which is determined based on the price of transaction which took place in December 2021.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value of investment properties

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Investment properties	**—**	**1,680**	**202,018**	**203,698**
Total non-financial assets	**—**	**1,680**	**202,018**	**203,698**

	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Investment properties	—	1,621	—	1,621
Total non-financial assets	—	1,621	—	1,621

There were no transfers between any Levels during the year.

(b) Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its investment properties at least annually, and determines a property's value within a range of reasonable fair value estimates.

The fair value for investment properties in level 2 is based on current prices in local market for similar properties. For investment properties classified as level 3, which are appraised annually by an independent property valuer, valuations were based on the income approach by the net rental income derived from the rental intention agreements with due allowance for potential rental growth rate and expected vacancy rate of the properties.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value of investment properties (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

Opening balance as at 1 January 2021	—
Acquisitions	91,596
Unrealized gains recognized in net investment gains	110,422
Closing balance as at 31 December 2021	202,018
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the year	110,363

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 December 2021	Unobservable inputs	Range of inputs 31 December 2021	Relationship of unobservable inputs to fair value
Investment properties	202,018	Discount rate	5.5%	The higher the discount rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	2%–15%	
		Rental growth rate	2.5%	The higher the rental growth rate, the higher the fair value

4.4 Capital risk management

(a) Risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The liquid capital is monitored regularly by the Finance Department. The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowing net of cash and cash equivalent. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debt.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.4 Capital risk management (Continued)

(a) Risk management (Continued)

The Group's strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times. The gearing ratio as at 31 December 2021 and 31 December 2020 are as follows:

	As at 31 December	
	2021	2020
Borrowings	**595,660**	510,369
Less: Cash and cash equivalents	**(234,781)**	(103,919)
Net debt	**360,879**	406,450
Total equity	**2,093,734**	1,941,898
Total capital	**2,454,613**	2,348,348
Gearing ratio	**14.70%**	17.31%

(i) Loan covenants

The Group has no financial covenants under the terms of the borrowing facilities for the year ended 31 December 2021 (2020: same).

5 SEGMENT INFORMATION

The Company's Board of Directors is the Group's chief operating decision-maker, which assesses the financial performance and position of the Group and makes strategic decisions.

The Group manages its business under two operating and reportable segments for the year ended 31 December 2021 (2020: The Group manages its business under four operating and reportable segments).

(a) Business segments

From business perspective, the Group provides services through two main business segments listed below:

Inclusive finance business division: The inclusive finance business division mainly refers to provision of lending services in the PRC From a product perspective, the inclusive finance business division principally engaged in lending services through granting secured loans and unsecured loans to customers.

Ecology finance business division: The division mainly dedicates services to supply chain, loan facilitation technology ,factoring, insurance agency and equity investment business.

As there is no longer any business operation of the Online lending intermediary business division, the Group ceased this division for the year ended 31 December 2021.

(All amounts in RMB thousands unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(b) Segment analysis

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the consolidated statement of comprehensive income are allocated based on the operations of the segment.

Segment assets and segment liabilities are measured in the same way as in the consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

	For the year ended 31 December 2021				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	236,351	114,287	17,187	—	367,825
Internal operating income	446	165	1,821	(2,432)	—
External operating cost	(7,919)	(97,571)	(15,161)	—	(120,651)
Internal operating cost	(1,158)	(967)	(446)	2,571	—
Net investment gains	—	—	117,310	—	117,310
Credit impairment losses	(156,431)	(290)	2,872	—	(153,849)
Net losses on derecognition of financial assets measured at amortized cost	534	—	—	—	534
Other operating income	179	846	988	(971)	1,042
General and administrative expenses	(21,832)	(4,587)	(36,487)	—	(62,906)
Other (losses)/gains, net	409	—	(3,201)	—	(2,792)
Profit before income tax	50,579	11,883	84,883	(832)	146,513
Capital expenditure	(1,163)	(18)	(78,085)	—	(79,266)

	As at 31 December 2021				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	1,926,040	395,872	3,229,062	(2,714,779)	2,836,195
Segment liabilities	(168,332)	(100,786)	(624,829)	151,486	(742,461)

(All amounts in RMB thousands unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(b) Segment analysis (Continued)

	For the year ended 31 December 2020						
	Inclusive finance business division	Ecology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarters and others	Elimination	Total
External operating income	217,439	11,037	1,886	6,049	23,395	—	259,806
Internal operating income	1,450	—	—	—	—	(1,450)	—
External operating cost	(12,694)	(132)	—	(6,133)	(20,054)	—	(39,013)
Internal operating cost	(39)	—	—	—	(1,450)	1,489	—
Net investment losses	—	—	—	—	(4,919)	—	(4,919)
Credit impairment losses	(121,413)	(1,278)	—	—	(2,325)	—	(125,016)
Net losses on derecognition of financial assets measured at amortized cost	(258)	—	—	—	—	—	(258)
Other operating income	702	644	13	49	142	(39)	1,511
General and administrative expenses	(17,416)	(6,628)	(2,290)	(1,634)	(24,681)	—	(52,649)
Other (losses)/gains, net	101	(2,187)	—	—	(15,566)	—	(17,652)
Profit/(Loss) before income tax	67,872	1,456	(391)	(1,669)	(45,458)	—	21,810
Capital expenditure	(81)	88	(138)	—	(7,128)	—	(7,259)

	As at 31 December 2020						
	Inclusive finance business division	Ecology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarters and others	Elimination	Total
Segment assets	1,876,635	183,769	18,845	4,719	2,797,726	(2,349,139)	2,532,555
Segment liabilities	(182,463)	(62,936)	(14)	(58)	(460,148)	114,962	(590,657)

6 INTEREST INCOME

	Year ended 31 December	
	2021	2020
Interest income from loans to customers		
— Secured loans to customers	**158,493**	139,478
— Unsecured loans to customers	**104,066**	98,195
Interest income from bank deposits	**6,717**	13,170
	269,276	250,843

(All amounts in RMB thousands unless otherwise stated)

7 REVENUE FROM AND COSTS FOR COMMODITIES TRADING

	Year ended 31 December	
	2021	2020
Revenue from commodities trading		
— *As principal*	**92,964**	—
— *As agent*	**144**	—
	93,108	—
Costs for commodities trading		
— *As principal*	**(92,362)**	—
	(92,362)	—

8 CONSULTANCY FEE INCOME

	Year ended 31 December	
	2021	2020
Loan consultancy fee income	**601**	44
P2P platform consultancy fee income	**—**	1,865
Other consultancy fee income	**—**	7
	601	1,916

9 COMMISSION FEE INCOME AND EXPENSE

	Year ended 31 December	
	2021	2020
Commission fee income		
Commission fee income from guarantee business	**2,867**	1,002
Insurance agency commission fee income	**1,973**	6,032
Other commission fee income	**—**	13
	4,840	7,047
Commission fee expense		
Insurance agency commission fee expense	**2,712**	6,133
	2,712	6,133

(All amounts in RMB thousands unless otherwise stated)

10 INTEREST EXPENSE

	Year ended 31 December	
	2021	2020
Interest expense on bank borrowings	**24,088**	29,462
Interest expense on micro-finance company borrowings	**650**	2,924
Other interest expenses	**839**	494
	25,577	32,880

11 NET INVESTMENT GAINS/(LOSSES)

	Year ended 31 December	
	2021	2020
Fair value gains — investment properties (Note 26)	**110,422**	—
Fair value gains/(losses) — financial assets at fair value through profit or loss	**5,318**	(2,401)
Fair value losses — derivative financial instruments	**—**	(7,952)
Cash dividend of listed equity securities	**1,581**	1,382
Net (losses)/gains from disposal of financial assets	**(11)**	4,052
	117,310	(4,919)

12 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
Credit impairment losses on loans to customers	**154,244**	124,783
Credit impairment losses on financial guarantees	**261**	1,612
Credit impairment losses on other current assets	**(656)**	(1,379)
	153,849	125,016

13 NET GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

On derecognition of a loan to customers in entirety, the difference between the asset's carrying amount and total consideration received and receivable is recognized in net gains/(losses) on derecognition of financial assets measured at amortized cost.

(All amounts in RMB thousands unless otherwise stated)

14 OTHER OPERATING INCOME

	Year ended 31 December	
	2021	2020
Rental income	**492**	568
Software development revenue	**330**	—
Net gains from disposal of repossessed assets	**71**	659
Others	**149**	284
	1,042	1,511

15 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2021	2020
Employee benefit expenses (Note 16)	**35,278**	28,416
Professional and consultancy fees	**6,854**	3,947
Depreciation and amortisation	**5,007**	4,856
Telephone, utilities and office expenses	**3,795**	3,356
Transportation, meal and accommodation	**3,187**	2,895
Auditors' remuneration	**3,000**	2,900
Operating lease payments	**2,323**	1,830
Value-added tax surcharges	**1,589**	1,445
Advertising costs	**423**	241
Commission fee	**290**	405
Other expenses	**1,160**	2,358
	62,906	52,649

(All amounts in RMB thousands unless otherwise stated)

16 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021	2020
Discretionary bonuses	**17,235**	9,774
Wages and salaries	**12,028**	13,567
Pension	**1,501**	66
Other social security obligations	**4,514**	5,009
	35,278	28,416

(a) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group include two executive directors for the year ended 31 December 2021 (2020: same), whose emoluments are reflected in the analysis presented in Note 46. The emoluments payable to the remaining three individuals (2020: same) for the year ended 31 December 2021 are as follows:

	Year ended 31 December	
	2021	2020
Discretionary bonuses	**2,103**	487
Basic salaries	**612**	1,629
Pension	**106**	4
Other social security obligations	**233**	189
	3,054	2,309

The emoluments to the remaining three individuals fell within the following bands:

	Number of individuals Year ended 31 December	
	2021	2020
Emoluments band		
Nil — HK$1,000,000	**2**	2
HK$1,000,001— HK$1,500,000	**1**	1

For the years ended 31 December 2021 and 2020, no directors or any of the five highest paid individuals receive any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts in RMB thousands unless otherwise stated)

17 OTHER LOSSES, NET

	Year ended 31 December	
	2021	2020
Net foreign currency losses	(3,303)	(18,005)
Government grants	511	333
Others	—	20
	(2,792)	(17,652)

18 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2021. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group. The country/place of incorporation is also their principal place of business.

Name of subsidiary	Country/place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of Issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities
Sifang Investment Limited	BVI	22 November 2011	Limited company	1 share of US$1	100%	–	investment holding
Tongda Investment Limited	BVI	22 November 2011	Limited company	1 share of US$1	–	100%	investment holding
Rongda Investment Limited ("Rongda Investment")	Hong Kong	05 December 2011	Limited company	1 share of US$1	–	100%	investment holding
Huifang Investment Limited ("Huifang Investment")	Hong Kong	05 December 2011	Limited company	1 share of US$1	–	100%	investment holding
Suzhou Huifang Technology Company Limited ("Huifang Technology")	Mainland China	29 December 2011	Limited company	US$96,100,000/ US$98,100,000	–	100%	management and marketing consulting
Suzhou Huifang Tongda Information Technology Company Limited ("Huifang Tongda")	Mainland China	10 February 2012	Limited company	RMB491,100,000/ RMB500,000,000	–	100%	management and marketing consulting
Suzhou Huifang Rongda Internet Technology Company Limited ("Huifang Rongda")	Mainland China	8 May 2015	Limited company	RMB27,000,000/ RMB50,000,000	–	100%	management and marketing consulting
Suzhou Wuzhong Pawnshop Co., Ltd. ("Wuzhong Pawnshop")	Mainland China	21 December 1999	Limited company	RMB1,000,000,000	–	100%	pawnshop services
Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. ("Dongshan Micro-finance") (c)	Mainland China	26 December 2012	Limited company	RMB300,000,000	–	70%	micro-financing

(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES (Continued)

Name of subsidiary	Country/place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of Issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities
Suzhou Huida Commercial Factoring Company Limited ("Huida Factoring") (a)	Mainland China	30 May 2016	Limited company	RMB170,000,000	–	52.94%	factoring services
Suzhou Huifang Jiada Information Technology Company Limited ("Huifang Jiada")	Mainland China	15 December 2016	Limited company	RMB50,000,000	–	100%	technology development and consulting services
Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership) ("Huifang Rongtong") (b)	Mainland China	1 September 2017	Limited partnership	RMB75,000,000	–	80%	short-term turnover loans
Suzhou Huifang Anda Insurance Agency Company Limited ("Huifang Anda")	Mainland China	16 November 2004	Limited company	RMB2,400,000	–	65%	insurance agency
Suzhou Huifang Supply Chain Management Company Limited ("Huifang Supply Chain")	Mainland China	25 May 2018	Limited company	RMB90,000,000/ RMB400,000,000	–	100%	supply chain management
Sichuan Aomeishu Technology Company Limited ("Sichuan Aomeishu")	Mainland China	17 May 2015	Limited company	RMB500,000/ RMB2,000,000	–	100%	technology development
Qingdao Wanchen Buliang Property Company Limited ("Qingdao Wanchen")	Mainland China	31 October 2019	Limited company	RMB10,000,000	–	100%	purchase and dispose of non-performing assets
Nanjing Yiling Culture and Art Co., Ltd ("Nanjing Yiling") (c)	Mainland China	8 May 2021	Limited company	RMB55,000,000	–	55%	arts loans
Suzhou Huifang Rongcui Management Consulting Co., Ltd. ("Huifang Rongcui") (d)	Mainland China	29 June 2021	Limited company	RMB15,000,000/ RMB100,000,000	–	90%	equity Investment
Changsha Furong District Huifang Pawnshop Co., Ltd. ("Changsha Pawnshop") (e)	Mainland China	9 December 2021	Limited company	RMB50,000,000	–	100%	pawnshop services

(a) On 7 July 2021, the Group and the non-controlling shareholders invested RMB30.0 million and RMB40.0 million respectively in Huida Factoring.

(b) On 15 March 2021, the Group and the non-controlling shareholders repatriated RMB20.0 million and RMB5.0 million respectively from Huifang Rongtong.

(c) The Group and the non-controlling shareholder invested RMB30.3 million and RMB24.8 million respectively to set up Nanjing Yiling in 2021.

(d) The Group and the non-controlling shareholder invested RMB13.5 million and RMB1.5 million respectively to set up Huifang Rongcui in 2021.

(e) The Group invested RMB50.0 million to set up Changsha Pawsnshop in 2021.

(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES (Continued)

(a) Non-controlling interests (NCI)

The total non-controlling interest as at 31 December 2021 is RMB224.9 million (2020: RMB161.3 million), of which RMB95.6 million (2020: RMB93.4 million) is attributed to Dongshan Micro-finance, RMB85.1 million (2020: RMB43.3 million) is attributed to Huida Factoring, RMB15.0 million (2020: RMB22.2 million) is attributed to Huifang Rongtong and RMB1.8 million (2020: RMB2.4 million) is attributed to Huifang Anda,RMB25.9 million (2020: nil) is attributed to Nanjing Yiling and RMB1.5 million (2020: nil) is attributed to Huifang Rongcui.

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary is before inter-company eliminations.

Summarized statement of financial position:

	Dongshan Micro-finance As at 31 December		Huida Factoring As at 31 December		Huifang Rongtong As at 31 December		Huifang Anda As at 31 December		Nanjing Yiling As at 31 December	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Current										
Assets	**309,818**	325,394	**42,530**	17,358	**69,258**	110,947	**2,990**	6,300	**69,798**	—
Liabilities	**(10,641)**	(34,179)	**(66,632)**	(21,721)	**(137)**	(45)	**(35)**	(58)	**(14,292)**	—
Total current net assets	**299,177**	291,215	**(24,102)**	(4,363)	**69,121**	110,902	**2,955**	6,242	**55,506**	—
Non-current										
Assets	**18,436**	18,920	**204,310**	112,029	**1**	7	**6**	11	**899**	—
Liabilities	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Total non-current net assets	**18,436**	18,920	**204,310**	112,029	**1**	7	**6**	11	**899**	—
Net assets	**317,613**	310,135	**180,208**	107,666	**69,122**	110,909	**2,961**	6,253	**56,405**	—
Accumulated NCI	**95,645**	93,402	**85,048**	43,309	**14,995**	22,197	**1,824**	2,419	**25,863**	—

(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES (Continued)

(a) Non-controlling interests (NCI) (Continued)

Summarized statement of comprehensive income:

	Dongshan Micro-finance Year ended 31 December		Huida Factoring Year ended 31 December		Huifang Rongtong Year ended 31 December		Huifang Anda Year ended 31 December		Nanjing Yiling Year ended 31 December	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net operating income	41,980	26,112	17,008	8,211	(7,015)	8,699	(699)	(83)	2,610	—
Net other operating income	(3,986)	(3,022)	(1,699)	(850)	(1,772)	(2,286)	(1,001)	(926)	(733)	—
Profit for the year	37,994	23,090	15,309	7,361	(8,787)	6,413	(1,700)	(1,009)	1,877	—
Other comprehensive income	(9,516)	(6,198)	(3,897)	(1,856)	—	—	—	161	(472)	—
Total comprehensive income	28,478	16,892	11,412	5,505	(8,787)	6,413	(1,700)	(848)	1,405	—
Total comprehensive income attributable to NCI	8,543	5,068	5,086	1,559	(602)	1,282	(595)	(353)	1,113	—
Dividends paid to NCI	6,300	12,000	3,549	—	1,600	1,875	—	—	—	—

A dividend of RMB21.0 million was approved by the Board of Directors of Dongshan Micro-finance on 11 January 2021 and the amount paid to non-controlling interests is RMB6.3 million (2020: RMB30.0 million was approved on 3 January 2020 and the amount paid to non-controlling interests is RMB12.0 million).

Dividends of RMB5.3 million and RMB3.5 million were approved by the Board of Directors of Huifang Factoring on 25 January 2021 and 25 May 2021, and the total amount paid to non-controlling interests is RMB3.5 million (2020:nil).

A dividend of RMB8.0 million was approved by the Board of Directors of Huifang Rongtong on 20 January 2021 and the amount paid to non-controlling interests is RMB1.6 million (2020: RMB9.4 million was approved on 9 January 2020 and the amount paid to non-controlling interests is RMB1.9 million).

(All amounts in RMB thousands unless otherwise stated)

19 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December 2021	2020
Current tax		
Current tax on profits for the year	**25,510**	23,344
Total current tax expense	**25,510**	23,344
Increase in deferred tax assets (Note 28)	**(7,316)**	(11,306)
Increase in deferred tax liabilities (Note 28)	**27,605**	—
Total deferred tax expense/(benefit)	**20,289**	(11,306)
Income tax expense	**45,799**	12,038

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Year ended 31 December 2021	2020
Operating profit and profit before income tax	**146,513**	21,810
Tax calculated at domestic tax rates applicable to profits in the respective areas	**37,128**	6,892
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	**472**	397
— Investment income attributable to non-controlling interests	**439**	(321)
— Cash dividends of listed equity securities	**(395)**	(346)
— Sundry items	**165**	168
Subtotal	**37,809**	6,790
Reversal of previously recognized deferred tax assets	**557**	36
Unused tax losses for which no deferred tax asset has been recognized	**1,704**	5,889
Previously unrecognized tax losses now recouped to reduce current tax expense	**(562)**	—
Adjustments for current tax of prior years	**(349)**	(677)
PRC withholding tax	**6,640**	—
Income tax expense	**45,799**	12,038

(All amounts in RMB thousands unless otherwise stated)

19 INCOME TAX EXPENSE (Continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable (Continued)

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong.

According to the Corporate Income Tax Law of the PRC, the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 25% of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 50% of the taxable income amount.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China.

(c) Tax losses

	Year ended 31 December	
	2021	2020
Unused tax losses for which no deferred tax asset has been recognized at 25%	**2,884**	20,181
Unused tax losses for which no deferred tax asset has been recognized at 16.5%	**5,960**	4,534
Unused tax losses for which no deferred tax asset has been recognized at 10%	**–**	962
Unused tax losses for which no deferred tax asset has been recognized	**8,844**	25,677
Potential tax benefit at 25%	**721**	5,045
Potential tax benefit at 16.5%	**983**	748
Potential tax benefit at 10%	**–**	96
Potential tax benefit	**1,704**	5,889

20 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**87,169**	2,216
Weighted average number of ordinary shares in issue (in thousands)	**1,089,233**	1,087,769
Basic earnings per share (RMB Yuan)	**0.080**	0.002

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of dilutive potential ordinary shares at the year ended 31 December 2021.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	**87,169**	2,216
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands)(i)	**1,089,233**	1,095,771
Dilutive earnings per share (RMB)	**0.080**	0.002

(i) Weighted average number of shares used as the denominator

	Year ended 31 December	
	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	**1,089,233**	1,087,769
Adjustments for calculation of diluted earnings per share:		
Options (in thousands)	**–**	8,002
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands)	**1,089,233**	1,095,771

(All amounts in RMB thousands unless otherwise stated)

21 DIVIDENDS

A dividend in respect of the year ended 31 December 2021 of HK$0.04 per share, amounting to a total dividend of HK$43.6 million (equivalent to approximately RMB 38.0 million), is to be proposed at the 2021 annual general meeting (2020: nil). These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2021	2020
Proposed dividend	**38,013**	—

22 PROPERTY,PLANT AND EQUIPMENT

	Buildings	Vehicles	Electronics and other equipment	Total
Cost				
At 1 January 2021	—	—	4,577	4,577
Additions	51,484	367	1,177	53,028
Disposals	—	—	(482)	(482)
At 31 December 2021	51,484	367	5,272	57,123
Accumulated depreciation				
At 1 January 2021	—	—	(3,736)	(3,736)
Additions	—	(22)	(565)	(587)
Disposals	—	—	474	474
At 31 December 2021	—	(22)	(3,827)	(3,849)
Carrying amount				
At 31 December 2021	51,484	345	1,445	53,274

(All amounts in RMB thousands unless otherwise stated)

23 PROPERTIES UNDER DEVELOPMENT

	Zhonghui Financial Building
Cost	
At 31 December 2020	11,769
Additions	131,311
Transfer to investment properties	(91,596)
Transfer to property, plant and equipment	(51,484)
At 31 December 2021	—
Impairment	
At 31 December 2020	—
At 31 December 2021	—
Net book amount	
At 31 December 2021	—
At 31 December 2020	11,769

The construction of Zhonghui Financial Building has been completed on 31 December 2021, which is transferred to investment properties and property, plant and equipment based on the purpose of earning rentals and own use respectively.

24 LEASES

(a) Amounts recognized in the balance sheet

	As at 31 December 2021	As at 31 December 2020
Right-of-use assets		
Land-use rights (a)	**12,602**	34,620
Property	**8,301**	9,341
	20,903	43,961
Lease liabilities		
Current	**2,913**	2,498
Non-current	**4,540**	6,491
	7,453	8,989

(All amounts in RMB thousands unless otherwise stated)

24 LEASES

(a) Amounts recognized in the balance sheet (Continued)

(a) As at 31 December 2021, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) which is borrowed specifically for the construction of Zhonghui Financial Building (Note 39).

The movement of right-of-use assets as follow:

	Land-use rights	Property	Total
Cost			
At 1 January 2021	37,235	19,387	56,622
Additions	—	2,532	2,532
Less	(21,989)	(869)	(22,858)
At 31 December 2021	15,246	21,050	36,296
Accumulated depreciation			
At 1 January 2021	(2,615)	(10,046)	(12,661)
Additions	(188)	(3,019)	(3,207)
Less	159	316	475
At 31 December 2021	(2,644)	(12,749)	(15,393)
Net book amount			
At 31 December 2021	12,602	8,301	20,903
At 1 January 2021	34,620	9,341	43,961

For short-term lease and low-value asset lease, the Group chooses not to recognize the right-of-use assets and lease liabilities.

(All amounts in RMB thousands unless otherwise stated)

25 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 4 June 2018, the Group acquired 7.5% of the equity interests in Shenzhen Zuanying, for a cash consideration of RMB1.5 million.

The Group invested RMB16.0 million to set up Suzhou Cibei Management Consulting partnership (LP) ("Suzhou Cibei") together with another party and obtained 90% of the equity interest of Suzhou Cibei in 2021.

According to the Partnership Agreement, the operating decisions of the partnership shall be unanimously agreed by both partners. Therefore, the Group has significant influence over Suzhou Cibei and the investment is accounted for using the equity method of accounting.

The carrying amount of equity-accounted investments has changed as follows in 2021:

	Year ended 31 December	
	2021	2020
At 1 January	**1,500**	1,500
Additions	**15,975**	—
Profit or loss for the period	**—**	—
Dividends paid	**—**	—
At 31 December	**17,475**	1,500

26 INVESTMENT PROPERTIES

	Year ended 31 December	
	2021	2020
At fair value		
At 1 January	**1,621**	—
Transfer from properties under development	**91,596**	—
Capitalized subsequent expenditure	**59**	—
Transfer from owner-occupied property	**—**	1,621
Net gains from fair value adjustment (a)	**110,422**	—
At 31 December	**203,698**	1,621

(a) As at 31 December 2021, an investment property amounting to RMB202.0 million is a self-constructed building, named Zhonghui Financial Building. The construction of the building started in January 2020 and was completed in December 2021. Part of the building is held by the Group for long-term rental yields through renting it to external parties as commercial and office property, and is measured at fair value. The difference between the fair value of the property and its previous construction carrying amount is recognized in profit or loss. Detailed information about the valuation and unobservable inputs is set out in Note 4.3.

(b) As at 31 December 2021, the investment property named Zhonghui Financial Building, is pledged with banks to secure non-current bank borrowings with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) which is borrowed specifically for the construction of Zhonghui Financial Building (Note 39).

(All amounts in RMB thousands unless otherwise stated)

27 INTANGIBLE ASSETS

	Computer software	Licenses	Total
At 31 December 2020			
Cost	3,054	3,294	6,348
Accumulated amortisation and impairment	(1,273)	(1,702)	(2,975)
Net book amount	1,781	1,592	3,373
Year ended 31 December 2021			
Additions	78	—	78
Acquisition of subsidiary	—	—	—
Amortisation charge	(554)	(659)	(1,213)
Closing net book amount	1,305	933	2,238
At 31 December 2021			
Cost	3,132	3,294	6,426
Accumulated amortisation and impairment	(1,827)	(2,361)	(4,188)
Net book amount	1,305	933	2,238

28 DEFERRED INCOME TAX

(a) Deferred tax assets

	As at 31 December	
	2021	2020
The balance comprises temporary differences attributable to:		
ECL allowances charge on financial assets	**87,048**	79,746
Net loss from financial instruments at fair value through profit or loss	**2,944**	5,616
Recoverable tax losses	**5,068**	1,382
Share-based payment expense	**—**	1,000
Total deferred tax assets	**95,060**	87,744
Offsetting of deferred tax liabilities pursuant to off-setting provisions	**(5,178)**	—
Net deferred tax assets	**89,882**	87,744

(All amounts in RMB thousands unless otherwise stated)

28 DEFERRED INCOME TAX (Continued)

(a) Deferred tax assets (Continued)

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	ECL allowances charge on financial assets	Net loss/(gains) from financial instruments at fair value through profit or loss and derivative financial instruments	Recoverable tax losses	Share-based payments	Total
Deferred income tax assets					
At 1 January 2020	68,961	4,654	1,787	1,036	76,438
Credited/(charged) to the consolidated statement of comprehensive income	10,785	962	(405)	(36)	11,306
At 31 December 2020	79,746	5,616	1,382	1,000	87,744
At 1 January 2021	79,746	5,616	1,382	1,000	87,744
Credited/(charged) to the consolidated statement of comprehensive income	7,302	(2,672)	3,686	(1,000)	7,316
At 31 December 2021	87,048	2,944	5,068	—	95,060

As at 31 December 2021, it is estimated that deferred income tax assets will be reversed over one year (31 December 2020: same).

(All amounts in RMB thousands unless otherwise stated)

28 DEFERRED INCOME TAX (Continued)

(b) Deferred tax liabilities

	As at 31 December	
	2021	2020
The balance comprises temporary differences attributable to:		
Investment property	**27,605**	—
Total deferred tax liabilities	**27,605**	—
Offsetting of deferred tax assets pursuant to off-setting provisions	**(5,178)**	—
Net deferred tax liabilities	**22,427**	—

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Investment property
Deferred income tax liabilities	
At 1 January 2020	—
Charged to the consolidated statement of comprehensive income	—
At 31 December 2020	—
At 1 January 2021	—
Charged to the consolidated statement of comprehensive income	27,605
At 31 December 2021	27,605

As at 31 December 2021, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2020: nil).

(All amounts in RMB thousands unless otherwise stated)

29 FINANCIAL ASSETS BY CATEGORY

Financial assets	Notes	As at 31 December 2021 At FVPL	At amortized cost	Total
Other current assets	*31*	**—**	**13,295**	**13,295**
Loans to customers	*32*	**—**	**1,815,077**	**1,815,077**
Financial assets at fair value through profit or loss	*33*	**93,043**	**—**	**93,043**
Cash at bank and cash on hand	*34*	**—**	**483,347**	**483,347**
		93,043	**2,311,719**	**2,404,762**

Financial assets	Notes	As at 31 December 2020 At FVPL	At amortized cost	Total
Other current assets (excluding repossessed assets)	*31*	—	5,469	5,469
Loans to customers	*32*	—	1,814,211	1,814,211
Financial assets at fair value through profit or loss	*33*	107,862	—	107,862
Cash at bank and cash on hand	*34*	—	434,080	434,080
		107,862	2,253,760	2,361,622

30 INVENTORIES

	As at 31 December 2021	2020
Consumer Goods	**17,707**	—

31 OTHER CURRENT ASSETS

	As at 31 December 2021	2020
Repossessed assets	**15,171**	19,567
Advances to suppliers	**11,079**	—
Other receivables, net	**13,295**	5,469
Other receivables, gross	**14,246**	7,076
Less: ECL allowances	**(951)**	(1,607)
	39,545	25,036

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS

	As at 31 December	
Non-current	**2021**	2020
Loans to customers, gross		
Unsecured loans	**207,542**	115,332
— *Guaranteed loans*	**207,542**	115,332
Less: ECL allowances	**(4,549)**	(4,570)
Loans to customers, net	**202,993**	110,762

	As at 31 December	
Current	**2021**	2020
Loans to customers, gross		
Secured loans	**1,398,366**	1,266,496
— *Real estate backed loans*	**1,253,726**	1,238,560
— *Personal property backed loans*	**144,640**	27,936
Unsecured loans	**853,650**	1,036,053
— *Equity interest backed loans*	**465,319**	528,730
— *Guaranteed loans*	**227,288**	237,854
— *Other unsecured loans*	**161,043**	269,469
	2,252,016	2,302,549
Less: ECL allowances		
Secured loans	**(389,812)**	(363,747)
Unsecured loans	**(250,120)**	(235,353)
	(639,932)	(599,100)
Loans to customers, net	**1,612,084**	1,703,449

Loans to customers arise from the Group's lending services. The current loan periods granted to customers are within one year. The terms of non-current loans granted to customers are between three to five years.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.00% to 24.00% per annum in the year ended 31 December 2021 (2020: from 10.00% to 24.00%). Guaranteed loans granted to customers bear fixed interest rates from 5.50% to 25.20% per annum in the year ended 31 December 2021 (2020: from 6.00% to 25.20%). Other unsecured loans granted to customers bear fixed interest rates from 3.80% to 17.00% per annum in the year ended 31 December 2021 (2020: from 9.00% to 18.00%).

As at 31 December 2021, renewed loans amounted to RMB245.8 million (2020: RMB360.6 million), which include real estate backed loans equity interest backed loans and guaranteed loans (2020: same).

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(a) Aging analysis of loans to customers

The aging of the loans to customers is calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of ECL allowances are set out below:

	As at 31 December			
Non-current	**2021**			2020
	Secured loans	**Unsecured loans**	**Total**	Total
Within 3 months	**—**	**53,787**	**53,787**	14,325
3–6 months	**—**	**54,099**	**54,099**	11,649
6–12 months	**—**	**24,572**	**24,572**	84,788
12–24 months	**—**	**70,535**	**70,535**	—
	—	**202,993**	**202,993**	110,762

	As at 31 December			
Current	**2021**			2020
	Secured loans	**Unsecured loans**	**Total**	Total
Within 3 months	**182,166**	**309,347**	**491,513**	591,601
3–6 months	**167,158**	**71,811**	**238,969**	226,576
6–12 months	**151,595**	**129,185**	**280,780**	264,463
12–24 months	**13,024**	**66,207**	**79,231**	35,859
Over 24 months	**758**	**—**	**758**	368
Past due (i)	**493,853**	**26,980**	**520,833**	584,582
	1,008,554	**603,530**	**1,612,084**	1,703,449

(i) Past due loans to customers net of ECL allowances

	As at 31 December			
Current	**2021**			2020
	Secured loans	**Unsecured loans**	**Total**	Total
Past due within one month	**16,189**	**7,784**	**23,973**	13,137
Past due between one and three months	**31,243**	**3,984**	**35,227**	7,287
Past due over three months	**446,421**	**15,212**	**461,633**	564,158
	493,853	**26,980**	**520,833**	584,582

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers

The following tables explain the changes in loss allowances during the reporting period due to these factors:

Non-current	Year ended 31 December 2021			
Unsecured loans	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	4,570	—	—	4,570
New loans to customers originated	5,172	—	—	5,172
Changes in PDs/LGDs/EADs	(3,546)	—	—	(3,546)
Loans to customers derecognized during the year other than write-offs	(1,647)	—	—	(1,647)
Loss allowances as at 31 December 2021	4,549	—	—	4,549

Current	Year ended 31 December 2021			
Secured loans	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	5,011	2,160	356,576	363,747
Transfers:				
Transfers from Stage 1 to Stage 2	(1,119)	31,871	—	30,752
Transfers from Stage 2 to Stage 3	—	(20,031)	31,352	11,321
New loans to customers originated	11,732	—	—	11,732
Changes in PDs/LGDs/EADs	332	2,304	50,252	52,888
Unwind of discount	—	—	9,750	9,750
Loans to customers derecognized during the year other than write-offs	(8,440)	(5,428)	(25,901)	(39,769)
Write-offs	—	—	(50,609)	(50,609)
Loss allowances as at 31 December 2021	7,516	10,876	371,420	389,812

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers (Continued)

Current Unsecured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	24,272	—	211,081	235,353
Transfers:				
Transfers from Stage 1 to Stage 2	(883)	6,383	—	5,500
Transfers from Stage 2 to Stage 3	—	(4,175)	11,357	7,182
New loans to customers originated	82,925	—	—	82,925
Changes in PDs/LGDs/EADs	(1,242)	611	30,543	29,912
Unwind of discount	—	—	4,837	4,837
Loans to customers derecognized during the year other than write-offs	(86,571)	(7)	(8,858)	(95,436)
Write-offs	—	—	(20,153)	(20,153)
Loss allowances as at 31 December 2021	18,501	2,812	228,807	250,120

Non-current Unsecured loans	Year ended 31 December 2020 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2019	—	—	—	—
New loans to customers originated	7,549	—	—	7,549
Changes in PDs/LGDs/EADs	(2,914)	—	—	(2,914)
Loans to customers derecognized during the year other than write-offs	(65)	—	—	(65)
Loss allowances as at 31 December 2020	4,570	—	—	4,570

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers (Continued)

Current Secured loans	Year ended 31 December 2020 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Loss allowances as at 31 December 2019	4,371	1,745	257,668	263,784
Transfers:				
Transfers from Stage 1 to Stage 2	(1,599)	18,674	—	17,075
Transfers from Stage 2 to Stage 3	—	(12,416)	28,959	16,543
New loans to customers originated	6,740	—	—	6,740
Changes in PDs/LGDs/EADs	513	(58)	75,735	76,190
Unwind of discount	—	—	10,624	10,624
Loans to customers derecognized during the year other than write-offs	(5,014)	(5,785)	(13,088)	(23,887)
Write-offs	—	—	(3,322)	(3,322)
Loss allowances as at 31 December 2020	5,011	2,160	356,576	363,747

Current Unsecured loans	Year ended 31 December 2020 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Loss allowances as at 31 December 2019	27,921	—	174,339	202,260
Transfers:				
Transfers from Stage 1 to Stage 2	(4,243)	54,958	—	50,715
Transfers from Stage 2 to Stage 3	—	(24,013)	53,678	29,665
New loans to customers originated	126,962	—	1,979	128,941
Changes in PDs/LGDs/EADs	(9,903)	—	16,491	6,588
Unwind of discount	—	—	10,056	10,056
Loans to customers derecognized during the year other than write-offs	(116,465)	(30,945)	(45,306)	(192,716)
Write-offs	—	—	(156)	(156)
Loss allowances as at 31 December 2020	24,272	—	211,081	235,353

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances

The following table explains changes in the gross carrying amount of the loans to customers that help explain their significance to the changes in the ECL allowances for loans to customers:

Non-current	Year ended 31 December 2021			
Unsecured loans	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2020	115,332	—	—	115,332
Loans to customers derecognized during the year other than write-offs	(43,000)	—	—	(43,000)
New loans to customers originated	135,000	—	—	135,000
Changes in interest accrual	210	—	—	210
Gross carrying amount as at 31 December 2021	207,542	—	—	207,542

Current	Year ended 31 December 2021			
Secured loans	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2020	386,444	9,447	870,605	1,266,496
Transfers:				
Transfers from Stage 1 to Stage 2	(117,814)	117,814	—	—
Transfers from Stage 2 to Stage 3	—	(60,584)	60,584	—
Loans to customers derecognized during the year other than write-offs	(698,368)	(25,573)	(93,696)	(817,637)
New loans to customers originated	962,799	—	—	962,799
Changes in interest accrual	5,347	1,014	30,956	37,317
Write-offs	—	—	(50,609)	(50,609)
Gross carrying amount as at 31 December 2021	538,408	42,118	817,840	1,398,366

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Current Unsecured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2020	774,843	—	261,210	1,036,053
Transfers:				
Transfers from Stage 1 to Stage 2	(26,702)	26,702	—	—
Transfers from Stage 2 to Stage 3	—	(20,194)	20,194	—
Loans to customers derecognized during the year other than write-offs	(3,608,168)	(8)	(19,004)	(3,627,180)
New loans to customers originated	3,461,892	—	—	3,461,892
Changes in interest accrual	871	297	1,772	2,940
Write-offs	—	—	(20,153)	(20,153)
FX and other movements	98	—	—	98
Gross carrying amount as at 31 December 2021	602,834	6,797	244,019	853,650

Non-current Unsecured loans	Year ended 31 December 2020 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 3 1 December 2019	—	—	—	—
Loans to customers derecognized during the year other than write-offs	(1,000)	—	—	(1,000)
New loans to customers originated	116,000	—	—	116,000
Changes in interest accrual	332	—	—	332
Gross carrying amount as at 31 December 2020	115,332	—	—	115,332

(All amounts in RMB thousands unless otherwise stated)

32 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Current Secured loans	Year ended 31 December 2020 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Gross carrying amount as at 31 December 2019	362,602	11,922	797,433	1,171,957
Transfers:				
Transfers from Stage 1 to Stage 2	(87,931)	87,931	—	—
Transfers from Stage 2 to Stage 3	—	(61,301)	61,301	—
Loans to customers derecognized during the year other than write-offs	(464,886)	(29,080)	(65,000)	(558,966)
New loans to customers originated	577,214	—	—	577,214
Changes in interest accrual	(555)	(25)	80,193	79,613
Write-offs	—	—	(3,322)	(3,322)
Gross carrying amount as at 31 December 2020	386,444	9,447	870,605	1,266,496

Current Unsecured loans	Year ended 31 December 2020 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Gross carrying amount as at 31 December 2019	750,158	—	247,633	997,791
Transfers:				
Transfers from Stage 1 to Stage 2	(208,499)	208,499	—	—
Transfers from Stage 2 to Stage 3	—	(86,799)	86,799	—
Loans to customers derecognized during the year other than write-offs	(3,086,305)	(121,700)	(87,705)	(3,295,710)
New loans to customers originated	3,333,958	—	10,500	3,344,458
Changes in interest accrual	(13,386)	—	4,146	(9,240)
Write-offs	—	—	(156)	(156)
FX and other movements	(1,083)	—	(7)	(1,090)
Gross carrying amount as at 31 December 2020	774,843	—	261,210	1,036,053

(All amounts in RMB thousands unless otherwise stated)

33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
Non-current assets		
Equity securities	**–**	440
Current assets		
Equity securities	**31,748**	24,542
Structured deposits (a)	**61,295**	82,880
	93,043	107,422
	93,043	107,862

(a) The interest rates of structured deposits are related to foreign exchange rate and are all with maturity within one year.

34 CASH AT BANK AND CASH ON HAND

	As at 31 December	
	2021	2020
Cash on hand	**1,020**	968
Demand deposits with banks	**233,368**	102,744
Deposits with securities company	**393**	207
Interest receivable from bank deposits	**4,340**	5,019
Term deposits with banks with original maturities over 3 months, net	**244,226**	325,142
Term deposits with banks with original maturities over 3 months, gross	**244,390**	325,306
Less: ECL allowances	**(164)**	(164)
	483,347	434,080

Cash at bank and cash on hand are denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	**471,512**	193,592
US dollar	**7,915**	240,109
Hong Kong dollar	**3,920**	379
	483,347	434,080

(All amounts in RMB thousands unless otherwise stated)

34 CASH AT BANK AND CASH ON HAND (Continued)

Cash and cash equivalents of the Group are determined as follows:

	As at 31 December	
	2021	2020
Cash at bank and cash on hand	**483,347**	434,080
Less: Unrestricted term deposits with banks with original maturities over 3 months	**(10,000)**	(36,000)
Interest receivable from bank deposits	**(4,340)**	(5,019)
Restricted term deposits pledged with banks with original maturities over 3 months	**(234,226)**	(289,142)
	234,781	103,919

As at 31 December 2021, no restricted term USD deposits are pledged with banks to secure bank borrowings (31 December 2020: restricted term deposits of US$33.8 million, which is equivalent to RMB220.5 million are pledged with banks to secure bank borrowings with principal amount of RMB210.8 million) (Note 39).

As at 31 December 2021, restricted term deposits of RMB234.2 million (31 December 2020: RMB68.6 million) are pledged with banks to secure bank borrowings with principal amount of RMB222.0 million (31 December 2020: RMB65.5 million) (Note 39).

35 SHARE CAPITAL

	Number of shares	Ordinary shares HK$	Ordinary shares RMB
Issued and fully paid			
As at 31 December 2021	1,090,335,000	10,903,350	8,662,017
As at 31 December 2020	1,087,769,000	10,877,690	8,640,705

(i) Movements in ordinary shares

	Number of shares	Ordinary shares HK$	Ordinary shares RMB
Details			
Opening balance 1 January 2021	1,087,769,000	HK$10,877,690	8,640,705
Issue of shares under employee share scheme	2,566,000	HK$25,660	21,312
Balance 31 December 2021	1,090,335,000	HK$10,903,350	8,662,017

(All amounts in RMB thousands unless otherwise stated)

36 SHARE PREMIUM AND OTHER RESERVES

		Other reserves				
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	Total
At 1 January 2020	601,993	506,963	77,715	4,417	7,171	1,198,259
Issue of shares under employee share scheme (a)	735	—	—	—	(187)	548
Transactions with Non-controlling interests	—	(555)	—	—	—	(555)
Capital movement of non-controlling interests	—	(1,750)	—	—	—	(1,750)
At 31 December 2020	602,728	504,658	77,715	4,417	6,984	1,196,502
At 1 January 2021	602,728	504,658	77,715	4,417	6,984	1,196,502
Issue of shares under employee share scheme (a)	1,750	—	—	—	(451)	1,299
Transactions with Non-controlling interests	—	—	—	—	—	—
Capital movement of non-controlling interests (b)	—	(201)	—	—	—	(201)
At 31 December 2021	604,478	504,457	77,715	4,417	6,533	1,197,600

(a) Share-based payments

The Group approved on 13 September 2016 to grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years expired on 12 September 2021 and have become partially exercisable after the employees completed the vesting period. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 2021, the Company issued 2,566,000 ordinary shares in connection with the exercised options under the share-based payments scheme. Consideration received amounted to HK$1,591 thousand (equivalent to approximately RMB 1,320 thousand). The excess of RMB 1,299 thousand over the par value of RMB 21 thousand, plus transfer-in amount of RMB 451 thousand previously recognized in share-based payments reserve directly contributable to the options exercised, was credited to “share premium” with a total amount of RMB 1,750 thousand.

36 SHARE PREMIUM AND OTHER RESERVES (Continued)

(a) Share-based payments (Continued)

Set below are summaries of options granted and forfeited under the plan:

	Year ended 31 December 2021	
	Average exercise price in HK$ per share option	Number of share options (thousands)
As at 1 January	**0.62**	**25,269**
Granted	**—**	**—**
Exercised	**0.62**	**(2,566)**
Forfeited	**0.62**	**(22,703)**
Aa at 31 December	**—**	**—**
Vested and exercisable at 31 December 2021	**—**	**—**

	Year ended 31 December 2020	
	Average exercise price in HK$ per share option	Number of share options (thousands)
As at 1 January	0.62	27,238
Granted	—	—
Exercised	0.62	(982)
Forfeited	0.62	(987)
Aa at 31 December	0.62	25,269
Vested and exercisable at 31 December 2020	0.62	25,269

(All amounts in RMB thousands unless otherwise stated)

36 SHARE PREMIUM AND OTHER RESERVES (Continued)

(b) Capital movement of non-controlling interests

(i) On 15 March 2021, the non-controlling shareholders repatriated RMB5.0 million from Huifang Rongtong (2020: nil).

(ii) On 7 July 2021, the non-controlling shareholders acquired 7.06% of the equity interests in Huida Factoring through capital injections of RMB40.0 million, resulting in an increase of the total non-controlling interests to 47.06% at the year ended 31 December 2021 (2020: two new shareholders acquired 40% of the equity interests in Huida Factoring through capital injections of RMB40.0 million).

(iii) The Group and the non-controlling shareholder invested RMB30.3 million and RMB24.8 million respectively to set up Nanjing Yiling in 2021 (2020: nil).

(iv) The Group and the non-controlling shareholder invested RMB13.5 million and RMB1.5 million respectively to set up Huifang Rongcui in 2021 (2020: nil).

37 RETAINED EARNINGS

	As at 31 December	
	2021	2020
At 1 January	**575,428**	586,212
Net profit attributable to the owners of the Company for the year	**87,169**	2,216
Dividends provided for or paid	**—**	(13,000)
At 31 December	**662,597**	575,428

38 OTHER CURRENT LIABILITIES

	As at 31 December	
	2021	2020
Construction payables	**51,114**	—
Accrued employee benefits	**7,106**	4,847
Advances on sales	**5,303**	—
Redemption Deposit	**4,990**	—
Advance from transferee of financial assets	**2,762**	9,678
Provisions to financial guarantees	**1,873**	1,612
Turnover tax and other tax payable	**1,746**	1,669
Other financial liabilities	**8,463**	4,746
	83,357	22,552

As at 31 December 2021, the Group's other financial liabilities are non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (2020: same).

(All amounts in RMB thousands unless otherwise stated)

39 BORROWINGS

	As at 31 December 2021	2020
Non-current		
Bank borrowings (a)	**89,380**	50,380
Current		
Bank borrowings (b)	**506,280**	436,489
Borrowings from micro-finance companies (c)	**–**	23,500
	506,280	459,989
	595,660	510,369

The Group's borrowings are all denominated in RMB.

(a) As at 31 December 2021, non-current bank borrowing with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) is borrowed specifically for the construction of Zhonghui Financial Building. The borrowing is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group"). As at 31 December 2021, the undrawn bank borrowing facilities are RMB4.1 million (31 December 2020: RMB49.6 million).

(b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.40% to 5.50% per annum as at 31 December 2021 (31 December 2020: fixed rate from 3.60% to 5.95% per annum).

As at 31 December 2021, no bank borrowings which are secured by restricted term USD deposits (31 December 2020: bank borrowings of RMB210.8 million are secured by restricted term deposits of US$33.8 million) (Note 34).

As at 31 December 2021, bank borrowings with principal amount of RMB222.0 million (2020: RMB65.5 million) are secured by restricted term deposits of RMB234.2 million (2020: RMB68.6 million) (Note 34).

As at 31 December 2021, bank borrowings with principal amount of RMB59.5 million are secured by structured deposits of RMB59.5 million (31 December 2020: nil).

As at 31 December 2021, bank borrowings with principal amount of RMB120.2 million (31 December 2020: RMB120.2 million) are guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) ("Wuzhong Jiaye") and the Ultimate Shareholders (Note 43(b)).

As at 31 December 2021, bank borrowings with principal amount of RMB30.0 million are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2020: nil).

(c) As at 31 December 2021, no borrowings from micro-finance companies are guaranteed by Wuzhong Group (2020: RMB23.5 million) (Note 43(b)).

(All amounts in RMB thousands unless otherwise stated)

40 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021	2020
Profit before income tax from		
Continuing operations	**146,513**	21,810
Discontinued operations	**—**	—
Profit before income tax including discontinued operations	**146,513**	21,810
Adjustments for		
Depreciation and amortisation	**5,007**	4,856
Net (gains)/losses on derecognition of financial assets measured at amortized cost	**(534)**	258
Interest expense	**25,577**	32,880
Net exchange differences	**346**	1,471
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Decrease in term deposit with banks	**76,576**	519,307
Decrease/(Increase) in financial assets at fair value through profit or loss	**14,819**	(73,990)
Increase in Investment properties measured at fair value	**(110,422)**	—
Increase in trade receivables	**(5,776)**	—
Decrease in derivatives financial instruments	**—**	7,952
(Increase)/Decrease in other current assets	**(19,929)**	51,248
Increase in loans to customers	**(727)**	(110,531)
Increase in other current liabilities	**4,127**	461
Cash generated from operations	**135,577**	455,722

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
Net debt	**2021**	2020
Cash and cash equivalents	**234,781**	103,919
Borrowings	**(595,660)**	(510,369)
Net debt	**(360,879)**	(406,450)
Cash and cash equivalents	**234,781**	103,919
Gross debt — fixed interest rates	**(506,280)**	(459,989)
Gross debt — variable interest rates	**(89,380)**	(50,380)
Net debt	**(360,879)**	(406,450)

(All amounts in RMB thousands unless otherwise stated)

40 CASH FLOW INFORMATION (Continued)

(b) Net debt reconciliation (Continued)

	Other current assets	Liabilities from financing activities	
	Cash/bank overdraft	Borrowings	Total
Net debt as at 1 January 2020	181,038	(996,230)	(815,192)
Cash flows	(75,648)	485,861	410,213
Foreign exchange adjustments	(1,471)	—	(1,471)
Net debt as at 31 December 2020	103,919	(510,369)	(406,450)
Net debt as at 1 January 2021	**103,919**	**(510,369)**	**(406,450)**
Cash flows	**131,208**	**(85,291)**	**45,917**
Foreign exchange adjustments	**(346)**	**—**	**(346)**
Net debt as at 31 December 2021	**234,781**	**(595,660)**	**(360,879)**

41 CONTINGENCIES

As at 31 December 2021, the Group did not have any significant contingent liabilities except for the Group's normal guarantee business in the amount of RMB47.0 million (31 December 2020: RMB48.6 million).

42 COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2021	2020
Suzhou Cibei Management Consulting partnership (LP) ("Suzhou Cibei") (a)	**29,025**	—
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (b)	**5,000**	—
Zhonghui Financial Building	**—**	87,162
	34,025	87,162

(a) The committed capital injection to Suzhou Cibei is RMB45.0 million, of which RMB29.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

(b) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB5.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

(All amounts in RMB thousands unless otherwise stated)

43 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or excise significant influence over the other party in making financial and operating decisions of the Group. Parties are also considered to be related if they are subject to common control. Members of directors, key management and their close family member are also considered as related parties.

Names of related parties	Nature of relationship
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop and controlled by the Ultimate Shareholders
Wuzhong Group	Controlled by the Ultimate Shareholders
Jiangsu Wuzhong Real Estate Group Co., Ltd. (江蘇吳中地產集團有限公司) ("Wuzhong Real Estate")	A related party controlled by Wuzhong Group
Wuzhong America Services for Cultural Education and Communication Ltd ("Wuzhong America")	A related party controlled by Wuzhong Group
BVI companies wholly owned by each of the Ultimate Shareholders ("BVI entities owned by the Ultimate Shareholders")	Related parties controlled by each of the Ultimate shareholders
Tricor Services Limited ("卓佳專業商務有限公司") ("Tricor")	Company Secretary
Shenzhen Zuanying Internet Co., Ltd. (深圳鑽盈互聯網有限公司) ("Shenzhen Zuanying")	Associate
Suzhou Cibei Management Consulting partnership (LP) (蘇州次貝企業管理諮詢合夥企業(有限合夥)) ("Suzhou Cibei")	Associate
Suzhou Huiying Precious Metals Co., Ltd. (蘇州匯盈貴金屬有限公司) ("Huiying Precious Metals")	Related parties controlled by the ultimate shareholders

(b) Significant transactions with related parties

	As at 31 December	
	2021	2020
Interest expenses paid to Wuzhong Group	**200**	88
Bank borrowings guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (in principal amount at year-end) *(Note 39(b))*	**120,198**	120,213
Bank borrowings guaranteed by Wuzhong Group (in principal amount at year-end) *(Note 39(a))*	**95,380**	50,380
Borrowings from micro-finance companies guaranteed by Wuzhong Group (in principal amount at year-end) *(Note 39(c))*	**–**	23,500

(All amounts in RMB thousands unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	As at 31 December	
	2021	2020
Amounts due to related parties		
Due to Wuzhong Group	**–**	25,039
Due to BVI entities owned by the Ultimate Shareholders	**633**	633
	633	25,672

As at 31 December 2021, there is no balance of loan to customer or borrowings held by directors or key management (31 December 2020: nil).

(d) Key management personnel compensation

Key management comprises six members including the executive directors, the vice president, the assistant to the president and the risk control director. The compensation paid or payable to key management for employee services is shown below:

	As at 31 December	
	2021	2020
Basic salaries	**2,006**	1,853
Discretionary bonuses	**2,827**	1,062
Pension and other social security obligations	**489**	309
	5,322	3,224

(e) Key management personnel services provided by management entity

For the year ended 31 December 2021, the Group paid RMB35 thousand to Tricor Services Limited for the company secretary services (2020: RMB76 thousand).

44 SUBSEQUENT EVENTS

A dividend in respect of the year ended 31 December 2021 of HK$0.04 per share, amounting to a total dividend of HK$43.6 million (equivalent to approximately RMB 38.0 million), is to be proposed at the 2021 annual general meeting (2020:nil). These financial statements do not reflect this dividend payable.

(All amounts in RMB thousands unless otherwise stated)

45 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2021	2020
ASSETS		
Non-current assets		
Investments in subsidiaries	**362,718**	362,718
Current assets		
Amounts due from related parties	**616,528**	616,528
Dividends receivable	**38,030**	38,030
Cash at bank and cash on hand	**1,389**	2,811
Total current assets	**655,947**	657,369
Total assets	**1,018,665**	1,020,087
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the Company		
Share capital	**8,662**	8,641
Share premium	**1,006,451**	1,004,701
Other reserves	**6,533**	6,984
Accumulated losses	**(6,702)**	(3,941)
Total equity	**1,014,944**	1,016,385
Liabilities		
Current liabilities		
Amounts due to related parties	**633**	633
Dividends payable	**1,262**	1,262
Other current liabilities	**1,826**	1,807
Total liabilities	**3,721**	3,702
Total equity and liabilities	**1,018,665**	1,020,087

The balance sheet of the Company was approved by the Board of Directors on 25 March 2022 and was signed on its behalf

Wu Min
Executive Director

Zhang Changsong
Executive Director

(All amounts in RMB thousands unless otherwise stated)

45 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Share Premium	Other Reserve	Retained earnings
At 1 January 2020	1,003,966	7,171	12,671
Loss for the year	—	—	(3,612)
Dividends provided for or paid	—	—	(13,000)
Share-based payments- Value of employee services	735	(187)	—
At 31 December 2020	1,004,701	6,984	(3,941)
At 1 January 2021	**1,004,701**	**6,984**	**(3,941)**
Loss for the year	**—**	**—**	**(2,761)**
Dividends provided for or paid	**—**	**—**	**—**
Share-based payments- Value of employee services	**1,750**	**(451)**	**—**
At 31 December 2021	**1,006,451**	**6,533**	**(6,702)**

46 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

	Salaries	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Estimated monetary value of other benefits	Fees	Total
Year ended 31 December 2021						
Executive directors:						
WU Min (吳敏) (a)	764	680	58	52	–	1,554
Qiu Wei (邱蔚) (b)	150	60	–	14	–	224
ZHANG Chang'song (張長松)	660	515	58	69	–	1,302
Independent non-executive directors:						
ZHANG Hua'qiao (張化橋) (c)	–	–	–	–	111	111
LIANG Jian'hong (梁劍虹) (d)	–	–	–	–	163	163
TSE Yat Hong (謝日康)	–	–	–	–	274	274
FENG Ke (馮科)	–	–	–	–	274	274
Non- executive directors:						
ZHUO You (卓有)	–	–	–	–	–	–
ZHANG Shu (張姝)	–	–	–	–	–	–
ZHANG Cheng (張成)	–	–	–	–	–	–
LING Xiao'ming (凌曉明)	–	–	–	–	–	–
	1,574	1,255	116	135	822	3,902

(All amounts in RMB thousands unless otherwise stated)

46 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

(a) Wu Min ceased to be the chief executive officer and remain as the executive director from Oct 18, 2021.

(b) Qiu Wei has been appointed to be the chief executive officer from Oct 18, 2021.

(c) Zhang Huaqiao ceased to be a non-executive director from Apr 26, 2021.

(d) Liang Jianhong has been appointed to be a non-executive director from Apr 26, 2021.

The remuneration of each director and the chief executive is set out below:

	Salaries	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Estimated monetary value of other benefits	Fees	Total
Year ended 31 December 2020						
Executive directors:						
WU Min (吳敏)	764	425	1	68	–	1,258
ZHANG Chang'song (張長松)	660	151	1	85	–	897
Independent non-executive directors:						
ZHANG Hua'qiao (張化橋)	–	–	–	–	295	295
TSE Yat Hong (謝日康)	–	–	–	–	295	295
FENG Ke (馮科)	–	–	–	–	295	295
Non- executive directors:						
ZHUO You (卓有)	–	–	–	–	–	–
ZHANG Shu (張姝)	–	–	–	–	–	–
ZHANG Cheng (張成)	–	–	–	–	–	–
LING Xiao'ming (凌曉明)	–	–	–	–	–	–
	1,424	576	2	153	885	3,040

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meaning set out below.

"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time)
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"Contractual Arrangements"	a series of contracts entered into by Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), details of which are described in the section headed "Our History and Reorganisation — Contractual Arrangements" in the Prospectus
"Director(s)"	the director(s) of our Company
"Dongshan Micro-finance"	Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司), a limited liability company established in the PRC on 26 December 2012, which is an indirect holding subsidiary of our Company
"EIT Law"	the Enterprise Income Tax Law of the People's Republic of China
"Global Offering" or "IPO"	the Hong Kong public offering and the international offering of Shares
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
"Hengyue Consulting"	Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恒悦管理諮詢有限公司), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct shareholders of the PRC Operating Entity
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huida Factoring"	Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司), a limited liability company established in the PRC on 30 May 2016, which is an indirect holding subsidiary of our Company
"Huifang Anda"	Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司), a limited liability company established in the PRC on 16 November 2004, formerly known as Nanjing Shun'an Insurance Agency Company Limited* (南京舜安保險代理有限公司), which is an indirect holding subsidiary of our Company
"Huifang Rongcui"	Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司) , a limited liability company established in the PRC on 29 June 2021, which is an indirect holding subsidiary of our Company
"Huifang Jiada"	Suzhou Huifang Jiada Information Technology Company Limited* (蘇州匯方嘉達資訊科技有限公司), a limited liability company established in the PRC on 15 December 2016, which is an indirect wholly-owned subsidiary of our Company
"Huifang Rongda"	Suzhou Huifang Rongda Internet Technology Company Limited* (蘇州匯方融達網路科技有限公司), a limited liability company established in the PRC on 8 May 2015, which is an indirect wholly-owned subsidiary of our Company
"Huifang Rongtong"	Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)), a limited partnership company established in the PRC on 1 September 2017, which is an indirect holding subsidiary of our Company
"Huifang Supply Chain"	Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司), a limited liability company established in the PRC on 25 May 2018, which is an indirect wholly-owned subsidiary of our Company
"Huifang Technology"	Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd.* (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu
"Huifang Investment"	Huifang Investment Limited* (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company
"Huifang Tongda"	Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Co., Ltd* (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	28 October 2013 on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nanjing Yiling"	Nanjing Yiling Culture and Art Co., Ltd.* (南京藝领文化藝術有限公司), a limited liability company established in the PRC on 8 May 2021, which is an indirect holding subsidiary of our Company
"PRC Operating Entity" or "Wuzhong Pawnshop"	Suzhou Wuzhong Pawnshop Co., Ltd.* (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements
"PRC Shareholders"	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Zhuo You, who is a non-executive Director of the Company, none of the other PRC Shareholders is a director or chief executive member of the Company
"Prospectus"	prospectus of the Company dated 16 October 2013 in relation to the Global Offering
"Reorganisation"	the reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed "Our History and Reorganisation — Reorganisation" in the Prospectus
"Reporting Year"	the year ended 31 December 2021
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares(s) in the capital of the Company with normal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Sifang Investment"	Sifang Investment Limited* (四方投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Cibei"	Suzhou Cibei Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 16 April 2021, the Company indirectly jointly controls it
"Tongda Investment"	Tongda Investment Limited* (同達投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company with no substantial business activity
"Track Record Period"	the four fiscal years of our Company ended 31 December 2011, 2012, 2013 and 2014
"Ultimate Shareholders"	Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有)
"Wuzhong Group"	Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co.* (江蘇吳中集團公司)
"Wuzhong Jiaye"	Jiangsu Wuzhong Jiaye Group Co., Ltd.* (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd.* (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity
"Wuzhong Real Estate"	Jiangsu Wuzhong Real Estate Group Co., Ltd.* (江蘇吳中地產集團有限公司), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as Jiangsu Wuzhong Dongwu Property Development Co.* (江蘇吳中東吳產業開發公司), Wuxian Dongwu Property Development Co.* (吳縣市東吳產業開發公司), and Jiangsu Wuzhong Dongwu Property Development Co., Ltd.* (江蘇吳中東吳產業開發有限公司)

* *For identification purpose only*

In this annual report, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

The glossary contains explanations of certain terms and definitions used in this annual report in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"average loan amount"	the aggregate outstanding loan amount of a certain type of loans divided by the number of outstanding loans of that type as of an indicate date
"CAGR"	compound annual growth rate
"charge-off ratio"	impairment charge for an indicated period divided by ending balance of the gross amount of loans to customers of the same period and multiplied by 100%
"cost to income ratio"	administrative expenses of an indicated period divided by net revenue of the same period and multiplied by 100%
"gross loan yield"	interest income from loans to customers of an indicated period divided by the average of the beginning and the ending balances of gross loan amount multiplied by 100%
"impaired loan ratio"	the aggregate amount of individually impaired loans as of an indicated date divided by the gross amount of loans to customers as of the same date and multiplied by 100%
"appraised loan-to-value ratio"	the outstanding principal amount of a loan as of the calculation date divided by the appraised value of the underlying collateral securing such loan as decided in the loan application review process and multiplied by 100%
"net interest margin"	net interest income for an indicated period divided by the average of the beginning and the ending balance of interest earning assets of the same period, which equals the sum of the ending balances of (i) loans to customers and (ii) deposit with banks and multiplied by 100%
"return on average assets"	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total assets of the same period and multiplied by 100%
"return on average equity"	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total equity of the same period and multiplied by 100%

CHINA HUIRONG FINANCIAL HOLDINGS LIMITED
中國匯融金融控股有限公司